

General Certificate of Education
June 2009
Advanced Subsidiary Examination



APPLIED BUSINESS
Unit 3 Financial Planning and Monitoring

BS03/PM

Background Material and Pre-release Research Tasks

To be distributed to candidates no sooner than Monday 9 March 2009

NOTICE TO CANDIDATES

You will be given **one** copy of this Background Material and Pre-release Research Tasks for use during your preparation for the examination, which you may annotate as you wish, but which you will **not** be allowed to take into the examination.

The Background Material and Pre-release Research Tasks will be repeated within the question paper for use in the examination.

You are advised to carry out your own research using this Background Material and Pre-release Research Tasks. It is the business concepts and ideas raised by the Background Material and Pre-release Research Tasks which should be researched.

Your teacher is encouraged to give assistance and advice as required.

Surf Rider Ltd

Ginny Webster had loved surfing since she ‘discovered’ it at the age of 13. Whilst at University and training as an accountant, she practised her hobby. Eventually her ability and commitment led to her becoming an elite competition surfer. Ginny also gained the highest UK qualification as a surfing coach (Level 3).

Whilst working as a well-paid accountant, Ginny found herself dreaming of surfing and eventually decided that she would like to establish a surfing school. Using her professional knowledge and experience of surfing, Ginny set about planning her new business. Secondary sources of information, especially the British Surfing Association’s website (www.britsurf.co.uk), were also of value in her planning.

The main points of Ginny’s business plan are as follows.

- Surfing is increasingly popular in the UK. Most surfers go to Cornwall and North Devon, but South Wales has ‘good’ waves and fewer surf schools. Ginny’s informal market research suggests that surfing in South Wales may become more popular as the beaches in Cornwall and Devon become crowded and the prices of surfing lessons increase.
- The business will operate as a private limited company as this offers a number of benefits. She plans to call it *Surf Rider Ltd*.
- *Surf Rider Ltd* will provide lessons to surfers of all abilities. It will run a Grommet Club for children and will encourage the local community to become involved in its activities. Ginny intends that *Surf Rider Ltd* will become a British Surfing Association ‘approved school’. This will help with marketing as well as encouraging surfers of all ages. In addition, *Surf Rider Ltd* will have a shop in which to sell surfing equipment.
- The business will be based in buildings by a good surfing beach on the Gower Peninsular. The buildings are available for purchase at a cost of £150 000. Although some alterations to the buildings will be necessary, there is space for Ginny’s office, for storing equipment and for a shop to sell surfboards and other equipment.
- Ginny will hire two other qualified surfing coaches to help her to give lessons and to staff the shop for as many hours as possible.
- Ginny estimates her start-up costs to be £220 000. She is able to invest £60 000 and her mother has agreed to buy a further £45 000 of shares in her company. Ginny remains unsure of how to raise the remaining capital.
- Ginny is keen to start her business by the beginning of September to catch the end of the summer season.

Ginny’s business plan is nearly complete. The results of the market research look encouraging and she has found two surfing coaches to work with her. She just has to decide how to raise the outstanding capital. She might take out a bank loan, or sell further shares in her company.

Pre-examination Research Tasks

- (a) Research the advantages and disadvantages of Ginny raising capital for her business by:
 - (i) taking out a bank loan
 - (ii) selling shares in her company.
- (b) Investigate the issues that an entrepreneur would consider before deciding whether or not to go ahead with a business plan.

END OF BACKGROUND MATERIAL AND PRE-RELEASE RESEARCH TASKS