



General Certificate of Education
Advanced Subsidiary Examination
January 2011

Applied Business

BS03/PM

Unit 3 Financial Planning and Monitoring

Background Material and Pre-release Research Tasks

To be distributed to candidates no sooner than 1 November 2010.

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.

Frozen Moments

Tyler Purcell's business was in trouble last year. Since 2005, he has worked as a school photographer in southern England. Tyler was given a camera when young and this led to a life-long interest and, eventually, a career. He studied photography at university and, after working for a magazine as a photojournalist, decided to set up *Frozen Moments*. Tyler's business is targeted at schools and colleges, supplying photographs of individual students, sports teams and drama groups as well as whole school photographs and material for school prospectuses.

Frozen Moments was expensive to establish because of the professional photography equipment that was needed, and also the purchase of a large vehicle and other equipment, such as staging, which is essential for whole school photographs. In addition, as he did not want to work from home, Tyler purchased a twenty-year lease on a rented office. Tyler took out a bank loan in 2005 for £150 000, repayable over twelve years.

Initially, Tyler's business was successful, partly due to his skills in selling his services to schools and colleges. Tyler is also very adept at dealing with large numbers of students and organising them so that he can take his photographs successfully. Due to this, as well as the consistent quality of his photographs, he maintains a high level of loyalty amongst his customers.

Tyler is a talented photographer but his record keeping is poor and he is frequently late with paperwork, including sending out invoices (which individually can be for over £2000). He has become less efficient at planning his finances and has failed to prepare financial forecasts. Despite this, *Frozen Moments* makes a small profit.

The market for school photographs has changed. Nowadays, schools require more than a simple photography service. Larger competitors, such as The School Photography Company (www.tspc.biz), have responded to this by offering to create and host websites of photographs that they have taken for individual schools. Other competitors supply photographs of individual students in a format which can be automatically incorporated into school databases. Tyler does not have the necessary skills to supply these types of service.

Many competitors sell their products through their websites, and advertise special offers, but Tyler has continued to rely on word-of-mouth and customer loyalty in what is an increasingly competitive market. This strategy is proving to be less successful.

At a recent meeting with his bank manager, Tyler was told that he must manage the business's finances, especially its cash flow, more effectively. *Frozen Moments* had exceeded its overdraft limit of £10 000 four times in six months. Following the meeting, Tyler thought about the future. He needed a partner with IT and computing skills and knowledge of how to run a business efficiently. Or perhaps he should sell his business and return to photojournalism?

Pre-examination Research Tasks

- (a) Research the actions that Tyler could take to improve *Frozen Moments*' cash flow position.
- (b) Investigate the issues that the owners of an enterprise would consider before deciding whether or not to accept an offer from a competitor to purchase their business.

END OF BACKGROUND MATERIAL AND PRE-RELEASE RESEARCH TASKS