



General Certificate of Education
Advanced Subsidiary Examination
January 2012

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 2011.

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.

Blind faith

Over two million people in the UK are blind or partially sighted. The UK's Vision Strategy (Vision 2020 UK) is intended to reduce all avoidable blindness by the year 2020. Martin Coombes is very knowledgeable about visual impairment, having worked for the Royal National Institute of Blind People (RNIB) in a senior marketing role for many years. The RNIB offers support to blind and partially sighted people to assist them to find financial support to help them pay for holidays.

In 2011, Martin took early retirement as he decided to start up his own business. For years he had dreamed about being his own boss. After conducting considerable primary and secondary market research (with help from ex-colleagues at the RNIB), he decided to open a hotel in March 2012, especially for people with vision problems. He planned to operate his business as a sole trader, although he could set up a private limited company.

Martin's idea was unusual but not unique; Vision Hotels (www.visionhotels.co.uk) would be his only major competitor. It operates a chain of hotels for visually impaired customers, mainly in the south of England. Vision Hotels is a not-for-profit business.

Martin found a suitable property which he called the *Wayside Hotel*, in St Davids, Pembrokeshire which could accommodate up to 20 guests each night. St Davids is a beautiful but remote location in the far west of Wales. Pembrokeshire is designated an assisted area by the European Union.

The *Wayside Hotel* would need increased staffing levels for blind and partially sighted customers. It would also need other features added during refurbishment to meet the needs of its customers. Lighting systems would need to be improved, and facilities for carers and guide/hearing dogs would be available. Martin also decided to allow wheelchair access throughout the hotel which would entail installing a lift and widening doorways.

Martin planned to offer additional services, including a gourmet menu and guided daily excursions. This could add to his forecast profits. He would also offer a taxi shuttle service to the train station and the airport. Tourist and hotel information would be provided in large print and Braille.

Raising enough capital to start up his business was going to be a key issue for Martin. His business plan showed that he would need to raise £700 000 to purchase and refurbish the property as well as a further £100 000 to pay for the other start-up costs. Martin could raise £160 000 of this total from his savings and a further £200 000 by selling his house. He was undecided on what sources of finance to use for the remainder of the capital needed and intended to seek advice from his bank manager.

The *Wayside Hotel's* sales are likely to be seasonal, with 50% of annual revenue expected to be received during the months of June to September.

Pre-examination Research Tasks

- (a) Research the sources of finance that Martin could use to provide capital to start up the *Wayside Hotel*.
- (b) Investigate the factors that an entrepreneur would take into account when deciding whether or not to start up a business.