

# Pearson BTEC Level 3 Nationals

## Business/Enterprise and Entrepreneurship

### Unit 7/Unit 6: Business Decision Making

**Part S**

Thursday 17 May 2018 – Friday 18 May 2018

**Supervised hours: 3 hours**

Paper Reference

**31589H**

**You must have:**

Calculator, note paper and pen

### Instructions

- This task book contains material for the completion of the set task under supervised conditions.
- This task book is specific to each series and this material must only be issued to learners who have been entered to undertake the task in the relevant series.
- This task book should be kept securely until the start of the 3-hour supervised assessment period.
- This task book must be issued to learners during the 2-day period and under conditions specified by Pearson. This will allow centres to timetable appropriate supervised sessions for all learners.

### Information

- The total mark for this paper is 70.

Turn over ►

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## Instructions to Teachers/Tutors and/or Invigilators

This paper must be read in conjunction with the unit information in the specification and the BTEC Nationals Instructions for Conducting External Assessments (ICEA) document. See the Pearson website for details.

The set task is undertaken under supervision in a **single session** of three hours on one of the two timetabled days.

Centres should schedule all learners in the same session if possible and must release the assessment to individual learners only for their scheduled session.

Work should be completed on a computer. A period of two days is provided for centres to timetable the assessment to give learners access to computer resources.

Centres may schedule supervised rest breaks during the session.

All learner work must be completed independently and authenticated by the teacher/tutor and/or invigilator before being submitted to Pearson.

Refer carefully to the instructions in this task book and the BTEC Nationals Instructions for Conducting External Assessments (ICEA) to ensure that the supervised assessment is conducted correctly and that learners submit evidence that is their own work.

Learners must not bring anything into the supervised environment or take anything out without teacher/tutor and/or invigilator knowledge and approval. A calculator, note paper and pen are allowed.

Centres are responsible for putting in place appropriate checks to ensure that only permitted material is introduced into the supervised environment.

### Maintaining security

- During the supervised assessment period the assessment areas must be accessible only to individual learners and to named members of staff.
- Learners can access their work only under supervision.
- Learner work should be backed up regularly.
- Any work learners produce under supervision must be kept securely.
- During any break materials must be kept securely.

### Outcomes for submission

Each learner will need to complete **three** documents:

- a report
- a presentation with speaker notes/script
- an authentication sheet.

## Instructions for Learners

Read the set task information carefully.

It contains all the information you need to complete both activities.

This is a **single session** of three hours. Plan your time carefully. Your teacher/tutor and/or invigilator will tell you if there are any supervised breaks.

You will complete the activities within the set task under supervision and your work will be kept securely during any breaks taken.

You may use a calculator and will have access to a computer.

You must work independently throughout the supervised assessment period and must not share your work with other learners.

Your teacher/tutor and/or invigilator can clarify the wording that appears in this set task but must not provide any other guidance to help you complete the task.

### Outcomes for submission

You will need to complete **three** documents:

- a report
- a presentation with speaker notes/script
- an authentication sheet.

### Set Task Brief

You are working as an adviser in a Local Enterprise Partnership. You have been asked for advice by a client on how to set up a successful coffee shop.

Your client is considering **two** options for the business:

- setting up a new coffee shop

**OR**

- buying an existing coffee shop.

You have to read the scenario and documents provided and then produce a report for the client. Your report must assess the two options for the opening of a coffee shop.

You also need to produce a presentation that summarises the recommendations made in your report. You must give your rationale for the recommendations made.

On the following pages you will find information relating to a business start-up for a coffee shop.

The information includes:

- Market and trend data
- Buying an existing coffee shop
- Setting up a new coffee shop
- Financial data
- Summary of location data for the two options
- Ownership
- Timelines.

## Set Task Brief

**You must complete all activities.**

You will produce **two** documents on a computer:

- A report
- A presentation of slides with speaker notes

### Activity 1

Using the information provided, prepare a report to the client about the two options they are considering.

Your report must address both options and include:

- rationales supported by data
- consideration of risks
- recommendations on the option you find to be most appropriate.

Your report should be presented in a way that could be read by the client.

Your report will be assessed as a whole by how well you:

- select, interpret and apply data (8 marks)
- express the impact of recommendations made on resources (8 marks)
- use and present information relating to financial forecasting (8 marks)
- consider the important factors and risks for the business (16 marks)
- make recommendations that are justified (8 marks)
- structure and write your report (4 marks)

You should present your report as a word processed document in a minimum of 12-point font.

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**(Total for Activity 1 = 52 marks)**

### Activity 2

Using appropriate software prepare a presentation to the client.

The presentation should:

- summarise the recommendations made in your report
- give your rationale for the recommendations made

The presentation must be accompanied by speaker's notes or a script.

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**(Total for Activity 2 = 18 marks)**

## **Market and trend data**

In 2014, the UK had over 16 000 coffee shops with a turnover of £6.2 billion. This was a 6.4% growth on the previous year. Tea remains the nation's favourite drink with 165 million cups consumed per day compared with 70 million cups of coffee, but after 15 years of growth, the coffee shop sector is one of the most successful in the UK economy. Costa Coffee (1 670 outlets), Starbucks Coffee Company (790) and Caffè Nero (560) remain the UK's leading brands with a combined market share of 54%.

In the year to early March 2016, Costa Coffee's net profits were up 15.8% to £153 million, with returns on capital of almost 50%. In 2015, Costa Coffee opened almost 200 new shops. One in five coffee shop customers visits coffee shops every day, with Costa Coffee selling 1.7 billion cups of coffee annually.

By 2018, the market forecast is for a 4.5% annual growth, with revenues exceeding £8.7 billion from 20 500 outlets. It is also predicted customers will focus on where the coffee beans have been grown and on the quality of the coffee preparation. This could result in an increase in demand for specialist coffee shops offering high quality and ethically sourced products with a wide choice of beans.

Given the growth forecasts, the choice faced by the client is whether to open an independent coffee shop or whether to buy out an existing coffee shop business.

### **Buying an existing coffee shop**

You have reviewed a number of existing coffee shops and have identified a suitable opportunity. It would cost £85 000 to purchase the business. All existing equipment and furniture would be included in this price. There is a regular and loyal customer base. The owner will provide financial information to help support an application for a business start-up loan to cover half of this cost.

The sales material for the business suggests it has a clear competitive advantage because customers recognise and enjoy the personalised service provided by the existing owner.

### **Setting up a new coffee shop**

Starting a new business would enable the client to develop their own brand image and move into the niche luxury/ethically sourced coffee market. You have identified suitable premises but this would need to be converted. Coffee machines, cash register, other equipment, furniture and initial stock will also need to be purchased. This option would cost a total of £63 500. A breakdown of the costs is given in the financial data section.

## Financial data

The client has a maximum of £35 000 of their own and their parents' money to invest and would need additional investment for the balance of the start-up costs.

	Financial data for purchase of existing business	Financial data for setting up of new coffee shop
<b>Start-up costs</b>		
Purchase price including one year's lease	£85 000	n/a
Initial lease of premises	n/a	£7 500
Shop conversion costs	n/a	£30 000
Coffee machines	n/a	£5 000
Cash register	n/a	£2 000
Refrigerators/Display units/Dishwasher	n/a	£10 000
Furniture and crockery	n/a	£5 000
Initial stock	n/a	£4 000
<b>Total</b>	<b>£85 000</b>	<b>£63 500</b>
<i>Note: n/a means not applicable</i>		
<b>Sales forecast</b>		
Number of seats	35	30
Average spend	£7.00	£8.50
Customers each day	70	60
Annual revenue	£180 000	£153 000
<b>Running costs</b>		
Cost of sales	£90 000	£65 000
Wages	£27 000	£27 000
Heating and lighting	£8 000	£8 000
Business rates	£7 000	£6 000
Accountant fees	£2 500	£1 500
Annual lease of premises	£10 000	£7 500
Advertising	£500	£1 000
Insurance	£1 440	£1 200
Other costs	£4 000	£3 000

### Summary of location data for the two options

	Existing Business	New Business
Location	<ul style="list-style-type: none"> <li>• City centre</li> <li>• Surrounded by shops, offices and two universities</li> </ul>	<ul style="list-style-type: none"> <li>• Out of town</li> <li>• Corner property near local shops and transport links</li> <li>• Near popular tourist attractions</li> </ul>
Floor space	108 m <sup>2</sup>	90 m <sup>2</sup>
Annual lease of premises	£10 000 each year	£7 500 each year
Business rates	£7 000 each year	£6 000 each year
Target gross profit margin	50%	58%
Staff Requirement	Two part time staff (already employed)	Two part time staff
Number of seats	35	30, but it is possible to expand to another floor.
Number of nearby competitors	105	15
Car parking	No	Yes



## Ownership

A coffee shop can be operated as a sole trader, a partnership or as a private limited company (Ltd).

### Timeline for opening a new coffee shop (shaded boxes indicate periods of activity)

	Month					
	1	2	3	4	5	6
Decide on purchase of existing business or not	Shaded					
Identify/confirm premises	Shaded					
Shop conversion	Shaded	Shaded	Shaded			
Purchase of furniture and equipment			Shaded			
Hire and train staff			Shaded	Shaded		
Promotional activity				Shaded		
Open for business					Shaded	

### Timeline for opening existing coffee shop

The client could take ownership of the business within one month of the decision to purchase, following the completion of legal documents. Any improvements of the existing premises would extend this timeline.