



General Certificate of Education
Advanced Subsidiary Examination
June 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 March 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.

It's not all hot air

Usha has often talked about starting a hot air ballooning business. She is an experienced balloonist but has been uncertain whether she could turn her hobby into a profitable business – and profits were important to Usha. She has a passion for ballooning and great talent as a pilot, having flown balloons over Bangkok and across the Alps with passenger aircraft passing below! Usha has over 1000 hours' experience of piloting balloons and a full private pilot's licence for ballooning which is a legal requirement.

Finally, in 2011, Usha was spurred into action by an irresistible offer of purchase for a small hotel which she owned and had managed successfully for many years in Norfolk. After paying debts, this sale raised £95 000 of capital. Usha set about researching her proposed hot air ballooning business with enthusiasm, but soon realised that it would be more complicated to establish than she first thought. Along with a website and a marketing campaign, Usha's business would also need a certificate from the Civil Aviation Authority and expensive insurance.

Initially, Usha conducted market research to find out who her competitors might be for hot air balloon flights in East Anglia. She was surprised to find a number of rivals operating in the region, including Virgin Balloons (www.virginballoonflights.co.uk).

Usha's extensive primary market research showed that price was an important factor, but so was supplying flights to meet customers' individual needs. Her business plan included a range of flights that would be available with prices from budget trips at £99 per person to luxury flights (with champagne and chocolates) for up to six people for £1099 per flight. Usha's research also showed that she could sell flights to private customers and to businesses who were entertaining clients. Most customers wanted balloon flights from April to October when the weather is warmer. However, Usha also decided to offer winter flights. She thought that the East Anglian landscape in winter would be dramatic and that these flights would be an important boost to the business's finances.

Usha decided to call her business *Top Flights* and spent some time forecasting the costs of her ballooning business as she developed her business plan. She would need two balloons and equipment, such as baskets and burners as well as two Land Rovers with trailers, to recover balloons at the end of flights. She had contacts at Cameron Balloons (www.cameronballoons.co.uk), the world's largest supplier of ballooning equipment. She used these contacts to help with her research as well as to negotiate favourable prices. The business plan also detailed staffing needs: another qualified pilot, two flight attendants and recovery vehicle drivers. Staff would have to work flexible hours depending on the weather and demand. The costs involved surprised Usha and her business plan revealed that this would be an expensive business to establish and operate. She would require a bank or a partner to invest in her business.

Eventually, Usha's business plan was complete. She was convinced that *Top Flights* would be a financial success but realised that she would need to persuade other people of this.

Pre-examination Research Tasks

- (a) Research the reasons why it was important for Usha to draw up a business plan for *Top Flights*.
- (b) Investigate the issues that a potential partner in this business would consider before deciding to invest a substantial sum of money.