

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS**  
**Advanced Subsidiary GCE**

**BUSINESS STUDIES**

Businesses, Their Objectives and Environment  
CASE STUDY

**JUNE 2003**

May be opened and given to candidates upon receipt.

**2871/CS**

**INSTRUCTIONS TO CANDIDATES**

This copy may **not** be taken into the examination room.

The business described in this case study is entirely fictitious.

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**This case study consists of 3 printed pages and 1 blank page.**

## JAM AT JAMES'

James Porter was made redundant, aged 35, in March 2002 and decided with his redundancy payment to start his own business. Playing guitar was something that had been his hobby since his teenage years and he had often wondered whether he would ever have the nerve to start up a music shop specializing in guitars and amplifiers.

He knew from experience that the town lacked a specialist music shop and all of the musicians he talked to were very enthusiastic. As a result of this encouragement he made a rough estimate of customer numbers, then he considered the factors likely to affect his ability to supply products to his customers. Finally he decided it would be worth taking the risk. 5

James knew that it was necessary to draw up a business plan and also to set clear objectives if he wanted to succeed. He thought that, with luck, he could make sufficient money to retire in about 20 years time. He saw endless possibilities in the range of equipment that he could eventually offer. He would start as a sole trader, he told himself, but he was sure that the business would grow quickly. 10

He used the Business Start Up pack from his bank as the basis for his plan. He found it quite straightforward and was able to obtain a loan of £25,000. This loan, along with his redundancy money, provided sufficient finance to buy the fixtures and stock for the new shop. *Jam at James'* opened for business in a rented unit at the start of May 2002. He had two part-time casual 'employees' (who were musician friends of his) to help out who he paid 'cash-in-hand'. 15

As his friends had predicted, there was a great deal of interest in the new shop – at least to start with. James kept a rough record of the number of visitors to the shop each month by keeping a tally on a sheet of paper (Table 1) whenever he remembered. By mid October he was wondering whether he might expand his business by renting the unit next door. This had been a fish and chip shop that had closed the previous year. Perhaps it could be used as a rehearsal area for bands. He thought it would cost about £4,000 to convert. 20

However by early February 2003 these ideas had been completely disregarded. James' trade had slowed considerably and the future did not look as promising as it had only a few months ago. He now had only one person helping him out in the shop – and that was only for a few hours a day. Running a business in practice was not as easy as it had seemed on paper he thought sadly. At first when trade slowed down he had simply used the time to practise on his guitar but, he now had to admit to himself, the lack of anything to do during the day was making his life rather boring. He wondered whether, taking the good months with the bad, he had actually made a success of his first year's trading. He was 'his own boss', he reflected, but he certainly had less money to spend than when he was an employee. 25 30

One morning in early April, James was staring gloomily at some particularly expensive guitars. He was managing to pay the rent on the unit but was wondering how long he would be able to keep up the interest payments on his loan. He had not liked what he had read in his newspaper that morning (Appendix 1). At that moment someone he had met at a concert a few months ago, and whom he vaguely remembered as being called Andy, walked in. 35

"Hi Mate," said Andy. "It's about time I called in on you. How's it going? Why are you looking so down? I thought you said things were really good." 40

James explained why he was feeling worried about the state of the business.

"I may be able to help," replied Andy. "I've got a few electric guitar leads, well about two hundred, that you could have cheap."

James asked how much they would cost and where Andy had got them from.

"I got them ... er ... from a mate who got them from ... um er ... a factory in Eastern Europe I think it was, that closed down. The quality isn't brilliant and they probably won't last as long as your usual ones but beginners won't notice! You can have them for two quid each and sell 'em for six or seven. That's a big profit for you – although I'll need a decision very soon, oh yeah and payment in cash. Up front. Right away." 45

James promised to think it over and asked Andy to call in again the next day. Andy had seemed a bit vague as to exactly where he had got the leads from, but the offer sounded tempting; perhaps it would help him solve his business' problems. 50

**Table 1**

<u>James' tally sheet</u>		
<b>Month</b>	<b>Number of people entering the shop (per month)</b>	
May 2002	690	
June	725	
July	761	60
August	799	
September	839	
October	881	
November	793	
December	714	65
January	571	
February	457	
March	366	
April 2003 (so far)	107	

**Appendix 1**

<p>Shares on the Stock Market fell sharply yesterday after several leading economists warned of the possibility of a slowdown in economic activity. Some economic indicators point to a fall in consumer confidence over the medium term.</p>	75
<p>A government spokesperson was however quite upbeat. "The data is not conclusive," she said. "Some sectors of the economy are undoubtedly having a bit of difficulty but others are booming. It all depends on what you are selling."</p>	80

