

## Surf Rider Ltd

Ginny Webster had loved surfing since she 'discovered' it at the age of 13. Whilst at University and training as an accountant, she practised her hobby. Eventually her ability and commitment led to her becoming an elite competition surfer. Ginny also gained the highest UK qualification as a surfing coach (Level 3).

Whilst working as a well-paid accountant, Ginny found herself dreaming of surfing and eventually decided that she would like to establish a surfing school. Using her professional knowledge and experience of surfing, Ginny set about planning her new business. Secondary sources of information, especially the British Surfing Association's website ([www.britsurf.co.uk](http://www.britsurf.co.uk)), were also of value in her planning.

The main points of Ginny's business plan are as follows.

- Surfing is increasingly popular in the UK. Most surfers go to Cornwall and North Devon, but South Wales has 'good' waves and fewer surf schools. Ginny's informal market research suggests that surfing in South Wales may become more popular as the beaches in Cornwall and Devon become crowded and the prices of surfing lessons increase.
- The business will operate as a private limited company as this offers a number of benefits. She plans to call it Surf Rider Ltd.
- Surf Rider Ltd will provide lessons to surfers of all abilities. It will run a Grommet Club for children and will encourage the local community to become involved in its activities. Ginny intends that Surf Rider Ltd will become a British Surfing Association 'approved school'. This will help with marketing as well as encouraging surfers of all ages. In addition, Surf Rider Ltd will have a shop in which to sell surfing equipment.
- The business will be based in buildings by a good surfing beach on the Gower Peninsular. The buildings are available for purchase at a cost of £150 000. Although some alterations to the buildings will be necessary, there is space for Ginny's office, for storing equipment and for a shop to sell surfboards and other equipment.
- Ginny will hire two other qualified surfing coaches to help her to give lessons and to staff the shop for as many hours as possible.
- Ginny estimates her start-up costs to be £220 000. She is able to invest £60 000 and her mother has agreed to buy a further £45 000 of shares in her company. Ginny remains unsure of how to raise the remaining capital.
- Ginny is keen to start her business by the beginning of September to catch the end of the summer season.

Ginny's business plan is nearly complete. The results of the market research look encouraging and she has found two surfing coaches to work with her. She just has to decide how to raise the outstanding capital. She might take out a bank loan, or sell further shares in her company.

### Pre-examination Research Tasks

- (a) Research the advantages and disadvantages of Ginny raising capital for her business by:
  - (i) taking out a bank loan
  - (ii) selling shares in her company.
- (b) Investigate the issues that an entrepreneur would consider before deciding whether or not to go ahead with a business plan.

## Case Study Analysis

It is important that you read the case study carefully, there will not be enough time in the exam to spend trying to get to grips with it. The more preparation that you can do, the better off you will be...

The case study is also littered with hints about questions that you may be asked, so again preparation is vital!

### Surf Rider Ltd

Pre-release	Revision Questions
<p>Ginny Webster had loved surfing since she 'discovered' it at the age of 13. Whilst at University and training as an accountant, she practised her hobby. Eventually her ability and commitment led to her becoming an elite competition surfer. Ginny also gained the highest UK qualification as a surfing coach (Level 3).</p> <p>Whilst working as a well-paid accountant, Ginny found herself dreaming of surfing and eventually decided that she would like to establish a surfing school. Using her professional knowledge and experience of surfing, Ginny set about planning her new business. Secondary sources of information, especially the British Surfing Association's website (<a href="http://www.britsurf.co.uk">www.britsurf.co.uk</a>), were also of value in her planning.</p>	<ol style="list-style-type: none"><li>1) Who is Ginny?</li><li>2) What experience(s) does Ginny bring to the business?</li><li>3) How will each of these resources be useful to the business?</li><li>4) Why do you think Ginny set this business up?</li><li>5) What sources of information were used in order to plan the business?</li><li>6) Evaluate the effectiveness of the information resources</li><li>7) Why is Ginny having to write a business plan?</li></ol>

### FAILED JELLY BELLY FLAVORS

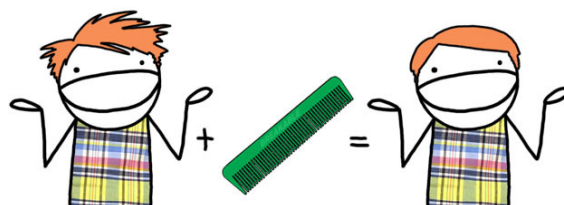


<ul style="list-style-type: none"> <li>Surfing is increasingly popular in the UK. Most surfers go to Cornwall and North Devon, but South Wales has 'good' waves and fewer surf schools. Ginny's informal market research suggests that surfing in South Wales may become more popular as the beaches in Cornwall and Devon become crowded and the prices of surfing lessons increase.</li> <li>The business will operate as a private limited company as this offers a number of benefits. She plans to call it Surf Rider Ltd.</li> </ul>	<ol style="list-style-type: none"> <li>What evidence suggests that this business might be successful?</li> <li>What is happening to the prices of surfing lessons?</li> <li>Why do you think that this is happening?</li> <li>What impact might this have on Surf Rider Ltd</li> <li>Why is this market research informal?</li> <li>What is a Private Limited Company?</li> <li>How does it's liability status help Ginny?</li> <li>What is meant by the term 'separate entity'?</li> <li>How will this benefit Ginny?</li> <li>How are LTD's set up?</li> <li>How can she check whether Surf Rider is an appropriate name?</li> </ol>
<ul style="list-style-type: none"> <li>Surf Rider Ltd will provide lessons to surfers of all abilities. It will run a Grommet Club for children and will encourage the local community to become involved in its activities. Ginny intends that Surf Rider Ltd will become a British Surfing Association 'approved school'. This will help with marketing as well as encouraging surfers of all ages. In addition, Surf Rider Ltd will have a shop in which to sell surfing equipment.</li> </ul>	<ol style="list-style-type: none"> <li>How will Surf Rider differentiate her product?</li> <li>Why is Ginny planning to encourage the local community to become involved in it's activities?</li> <li>Do you think that this is a good idea? Justify your opinion</li> <li>What benefits will 'approved school' status bring to the business?</li> <li>Are there any drawbacks to this status?</li> <li>What is the second part of the business?</li> <li>What research has been conducted about the shop?</li> </ol>
<ul style="list-style-type: none"> <li>The business will be based in buildings by a good surfing beach on the Gower Peninsular. The buildings are available for purchase at a cost of £150 000. Although some alterations to the buildings will be necessary, there is space for Ginny's office, for storing equipment and for a shop to sell</li> </ul>	<ol style="list-style-type: none"> <li>What resources might Ginny need to start up the shop?</li> <li>What level of competition is there on the Gower peninsula?</li> <li>Ginny plans to purchase buildings at a cost of £150,000. What alternatives might there be?</li> <li>How could renting the building help Ginny's cash flow? Why is Cash Flow particularly important in Ginny's case?</li> <li>What Human Resources will Ginny need?</li> <li>What will happen to the shop when both coaches</li> </ol>

<p>surfboards and other equipment.</p> <ul style="list-style-type: none"> <li>• Ginny will hire two other qualified surfing coaches to help her to give lessons and to staff the shop for as many hours as possible.</li> </ul>	<p>are out taking lessons?</p> <p>32) Is this a good approach? How might she get over these problems?</p> <p>33) As a seasonal business? What will Ginny's staff do off peak? How will they be paid?</p> <p>34) What problems may be involved in running a seasonal business?</p>
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<ul style="list-style-type: none"> <li>• Ginny estimates her start-up costs to be £220 000. She is able to invest £60 000 and her mother has agreed to buy a further £45 000 of shares in her company. Ginny remains unsure of how to raise the remaining capital.</li> <li>• Ginny is keen to start her business by the beginning of September to catch the end of the summer season.</li> </ul>	<p>35) How much is the start up capital required?</p> <p>36) How much capital does Ginny have immediate access to?</p> <p>37) What factors should Ginny take into account before selling shares to her Mum?</p> <p>38) How might Ginny raise the existing Capital?</p> <p>39) Who in the business might be able to buy shares?</p> <p>40) What restrictions does LTD status have on the business?</p> <p>41) Who else could Ginny sell shares to? What advantages might this bring?</p> <p>42) Is Ginny entitled to Government Support?</p> <p>43) Should Ginny consider converting to a PLC?</p> <p>44) How might she do this? What is the process?</p> <p>45) What advantages might it bring?</p> <p>46) What disadvantages might it bring?</p> <p>47) Why is Ginny keen to start her business before the end of the summer season?</p> <p>48) What will happen to Ginny's business over the winter?</p> <p>49) What costs are included in the £220,000?</p>
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<p>Ginny's business plan is nearly complete. The results of the market research look encouraging and she has found two surfing coaches to work with her. She just has to decide how to raise the outstanding capital. She might take out a bank loan, or sell further shares in her company.</p>	<p>50) What sources of advice are available to Ginny to help her to write her business plan?</p> <p>51) What other sources of finance are available to Ginny?</p> <p>52) Why does Ginny need to write a business plan?</p> <p>53) What information does Ginny need to include in her business plan?</p> <p>54) What will investors be looking for in the business plan?</p> <p>55) Do you think that this will be a successful enterprise? Justify your opinion.</p>
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