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Advance Information

Edexcel GCE

Business Studies (8076)

Advanced Subsidiary

Advance Notice of Case Study for

Unit 1: Business Structures, Objectives and External Influences

Unit 2: Marketing and Production

Unit 3: Financial Management

June 2007

This paper may be opened on

Monday 19 March 2007

Instructions to Candidates

In preparing for the Case Study paper, candidates are advised to undertake general revision as well as detailed investigation of issues related to the Case Study.

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PROTECTING OUR HERITAGE 2005

England has thousands of heritage sites, some, like Stonehenge, dating back to before the Roman invasion of Britain. Two organisations, English Heritage and the National Trust are responsible for the conservation, preservation and maintenance of the majority of these sites.



ENGLISH HERITAGE

English Heritage is a government agency responsible for advising ministers on the historic environment as well as managing 400 historic sites throughout England. Its main aims are to:

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- conserve and enhance the historic environment
- broaden public access to the heritage
- increase people's understanding of the past.

English Heritage is a public body sponsored by the Department for Culture, Media and Sport, the government department which is also responsible for the National Lottery. It also works closely with the Department of the Environment, Transport and the Regions, where most decisions affecting the historic environment are made (see **Appendix 1**). A Board of Commissioners selected by the government oversees the work of English Heritage.

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English Heritage is funded in part by government grants and in part from revenue earned from its historic properties, including visitor fees and catering income. English Heritage raises additional income from a wide range of services offered to members and supporters including online shopping, an online bookshop, insurance, day tours, short-break and worldwide holidays, plus a credit card service. These are run by independent enterprises that make a contribution to English Heritage for each transaction (see **Appendix 2**). In addition to working with the private sector, English Heritage works in partnership with central government departments, local authorities and other voluntary bodies.

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Commenting on English Heritage's current position, Simon Thurley, Chief Executive, in a speech delivered to preview the English Heritage Strategy for 2005-2010, said, "Like many government agencies, we have had a challenging few years. After our review in 2000, we embarked upon a major modernisation programme which we nicknamed Coming of Age. This programme, which we finished in April 2005, has made us more responsive, customer and client friendly, much more efficient, more eager to work in partnership, less bureaucratic and more commercially aware. We have invested more than £5 million in new technology – bringing down running costs, and we are set to make almost £750 000 a year savings on supplies within three years... Last year, our visitor business grew by 8.5% gross, that's as much as Tesco. If we were a plc, I would buy shares in us."

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THE NATIONAL TRUST

The National Trust is a registered charity with over 3.5 million members; it is completely independent of government and therefore receives no direct state grants or subsidies for its general work. Instead, it relies heavily on the subscriptions of its members as well as on gifts, legacies and the contributions of 39 000 volunteers. Membership fees amounted to £90.3 million in 2004/5. The National Trust spends all its income on the care and maintenance of the 248 000 hectares (612 000 acres) of land and 200 buildings under its protection, but cannot meet the cost of all its obligations. It is responsible for historic buildings dating from the Middle Ages to modern times, together with ancient monuments, gardens, parks and farmland that are leased to over 1500 tenant farmers. Most of these properties are held in perpetuity¹ and so their future protection is secure. The vast majority are open to visitors but four in every five of its historic houses run at a loss – and so the National Trust is always in need of financial support. 35 40

The National Trust is run by a Council of members; these are the trustees of the charity. One half of the Council is nominated by organisations associated with the National Trust's aims and members of the National Trust elect the other half. Trusteeship carries legal responsibilities and duties and Council members must ultimately ensure that the National Trust carries out its obligations. Trustees must act only in the best interests of the National Trust and cannot directly or indirectly benefit personally from the charity; National Trust employees and tenants are therefore not eligible to serve as trustees. The Council takes the key role in directing the affairs of the National Trust to achieve its objectives. An Executive Committee, responsible for the day-to-day operations, appoints Regional Committees whose role is to bring to the attention of the National Trust an awareness of the need for local emphasis in applying national policies and a feeling of regional diversity. 45 50

The National Trust objectives, in addition to the acquisition and maintenance of places of historic interest and natural beauty, include a commitment to furthering understanding of the UK's cultural heritage through education, skills development and lifelong learning. The National Trust has many long-term programmes in place to help educate people about the importance of the environment and of conserving national heritage for future generations. 55

The 3.5 million members of the National Trust benefit from free admission to houses and gardens. As part of its public relations, the members receive a quarterly magazine and regional newsletter as well as a handbook which gives a comprehensive guide to all National Trust properties. 60

Although membership fees are the National Trust's largest source of income, other sources include shops, restaurants, holiday cottages and tours and cruises. Many properties have shops that offer a wide range of merchandise, much of which is exclusive to the National Trust. 65

¹ National Trust land cannot be voluntarily sold, mortgaged or compulsorily purchased against the National Trust's wishes without special parliamentary procedure. This special power means that protection by the Trust is forever.

The National Trust also operates some 25 shops in towns like Grasmere in the Lake District and other locations such as Birmingham International Airport. National Trust gifts, ceramics, prints and books can also be purchased online. National Trust Enterprises operates over 140 restaurants and tearooms that are often located in special old buildings such as stables and lighthouses. All offer a range of traditional home-cooked food made, where possible, from stocks of produce purchased from local suppliers.

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The National Trust also has an interest in the holiday market. It owns and manages over 300 holiday cottages to be found in attractive areas throughout the UK. The National Trust also offers short breaks in over 200 UK hotels as well as a comprehensive programme of tours and cruises – independent holiday operators manage both these services and, for each holiday booked, make a financial contribution to the National Trust.

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Sources: adapted from

www.english-heritage.org.uk
www.nationaltrust.org.uk

APPENDIX 1

A Government Perspective

English Heritage's defence of historic skylines and local communities brought it into conflict with a government that wished to be seen as developer-friendly. Some observers surmised that this was the reason for the decrease in real terms of its government grants. Tessa Jowell, the Culture Secretary, appeared to threaten to dismantle English Heritage following a series of disagreements between English Heritage and the government over, for example, the Deputy Prime Minister's decision to demolish thousands of Victorian homes in northern England. She criticised the heritage world as being "too middle-class" and as putting too much emphasis on grand houses. Jowell argued that English Heritage ought to stop worrying about stately homes and concentrate on diversity instead. She suggested that the National Trust could become by far the country's most important custodian of historic buildings. English Heritage was opposed to any move to divest it of historic sites, pointing out that the National Trust would need massive public funds to pay for the future upkeep of buildings and sites. A spokesperson for English Heritage said that the proposal would cost taxpayers "billions" and that the current arrangement worked well: "a measure of competition is a good thing. So is diversity of ownership".

The new millennium saw the country-house mania of the 1980s and 1990s decline with demand changing to modern furniture and minimalist living. The National Trust was quicker than English Heritage to reflect this shift in demand; for example, it acquired ownership of both John Lennon's and Paul McCartney's original homes. A National Trust spokesperson said in 2005, "there is more demand for our modern houses than we can meet".

Source: adapted from

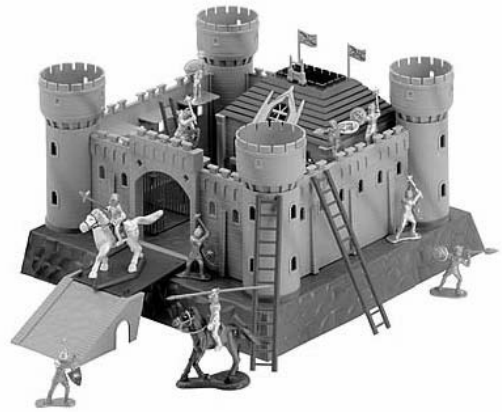
'You're history: Jowell in threat to English Heritage', *The Sunday Times*, 13 March 2005

APPENDIX 2

Mac's Models Ltd

Mac's Models Ltd is a small toyshop located near Warwick Castle in England, which opened in February 2003. Mac's Models Ltd is a partnership owned and run by brothers Ian and Gary MacQuillan. The shop makes an annual contribution from its profits to English Heritage.

Mac's Models Ltd specialises in selling toys and model figures based on the theme of knights and castles. Most of the shop's customers tend to be tourists, so the business depends heavily on passing trade. However, Ian and Gary are looking to expand their operations by appealing to the real toy model enthusiast by developing an online service through a dedicated website.



The following is a summary of Mac's Models Ltd's financial performance in 2005.

Profit and Loss Extract:

	<u>£</u>
Turnover	520 000
Net profit	26 000
less Corporation tax	5 720
less Dividends	8 000
Retained profit	12 280

Balance Sheet Extract:

	<u>£</u>	<u>£</u>
Fixed Assets		300 000
Current assets:		
Stock	50 000	
Debtors	2 000	
Bank	20 000	
Cash	3 000	
Current liabilities		30 000
Net current assets		<u>45 000</u>
Net assets		<u>345 000</u>
Capital and reserves		<u>345 000</u>

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