



Oxford Cambridge and RSA

# Thursday 08 October 2020 – Morning

# A Level Business

## **H431/01 Operating in a local business environment**

# Resource Booklet

**Time allowed: 2 hours**



## INSTRUCTIONS

- Use this Resource Booklet to answer the questions in **Section B**.
- Do **not** send this Resource Booklet for marking. Keep it in the centre or recycle it.

## INFORMATION

- The business described in this Resource Booklet is a **real** business.
- This document has **4** pages.

## PTN LTD (PTNL)

Paul Jess works for, and is part owner of, PTNL, a heating company which he co-founded in 2004. PTNL carries out the installation, maintenance and repair of heating systems. This typically involves working with pumps, boilers, pipes and electrical control systems. PTNL does work for all types of customers; domestic, commercial and industrial.

Paul worked for a small plumbing company for four years but was never completely happy. One day, Paul started talking to one of the other plumbers, Tony, about the benefits of working for themselves. Tony knew another plumber called Nic. The three of them decided to leave their jobs and set up PTNL as a private limited company. Paul is the majority shareholder and did most of the work involved in the start-up. He continues to be the person who has the most input into the business' strategic decisions.

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All three of the founders still work for PTNL. Tony focuses on welding and pipework, Nic likes designing and installing heating equipment and Paul works more on maintenance and emergency repairs. However, all three can do each other's jobs, if necessary.

Initially PTNL operated from Paul's house, with any stock stored in his garage. In 2006, a unit with storage and office space was rented on an industrial estate; the business has been located there ever since.

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Paul's wife, Jane, is in charge of the firm's day-to-day administration, including basic accounts work; the business uses an accountant to complete the end-of-year tax submission. PTNL also employs a part-time administrative assistant, Peter. He helps with ordering stock, ensuring suppliers deliver on time and 'chasing' creditors to pay up.

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Paul knew, when starting the business, the importance of adding value to the services PTNL offer and he still considers it to be very important. One way to add value is to accept emergency call-outs 24 hours a day. This generates good publicity and can be very profitable, but it puts a huge strain on his and the others' family lives.

Nevertheless, Paul, Tony and Nic all enjoy their work because there is so much variety. "There is no such thing as a typical job," Paul says. "It could be anything from replacing a radiator in someone's house to an emergency at a hospital, where the whole hot water system has failed."

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Each of them has a van with a standard set of tools and replacement parts. Additional specialist equipment, such as large drills, are hired when necessary.

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PTNL has grown in terms of the number of jobs carried out and the profit made. This is largely based on the firm's reputation for delivering a quality service, and it now has another three qualified employees doing plumbing and heating work. This growth has not always been easy. Paul says that, "...cash-flow has always been a huge issue, particularly so in the years following the economic crash of 2008."

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Paul refers to domestic jobs as 'bread and butter work'. That is because they are usually straightforward and people pay immediately, by cash or debit card. Such call-outs mean 'quick cash' but commercial and industrial customers are different. They expect payment terms of at least 30 days credit and some demand as long as 90 days credit. The latter are typically large firms who often adopt a 'take it or leave it' approach to doing business with PTNL. Paul makes sure that when quoting a price for these jobs he adds a larger percentage mark-up than usual.

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PTNL's strategic objective is to grow, and the firm appears to be on the verge of a considerable expansion. Earlier this year, the local council gave planning permission for a lot of new building

work that is scheduled to begin in August. The building work is going to be on several different sites and will happen over the next two years. Paul has secured contracts for the heating installation in a number of medium-sized industrial units and in two new housing developments of three-bedroom houses. The main contractor on these housing developments insists on 90 days credit.

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To cope with the additional work, and to ensure that existing contracts are fulfilled, PTNL plan to employ two new apprentices straight from school, as well as another qualified plumber. Three people have applied for the qualified plumber vacancy and Paul had a conversation with Jane while they were looking at the applicants' CVs.

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"What do you think of them? The one from Frances Davison looks promising. Qualified three years ago and appears keen to progress. He's also less experienced and so should be cheaper. Without interviewing and references it's difficult to tell of course, but on paper I'd go for him," said Paul.

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"Him?" Jane replied. "When the name is spelled 'Frances' as opposed to 'Francis' that person is female!"

The expansion is also going to require a short-term loan from the bank and a larger overdraft facility. The bank's Small Business Advisor was very positive about PTNL's plans for the future, but emphasised that Paul would have to manage the new contracts very carefully. Paul would also need to pay much closer attention to 'the numbers' than before, especially budgets and variances.

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As a result of the meeting with the adviser, Paul has decided to write a contingency plan.

**NB:** PTNL is a real business. However, to protect sensitive information, the names of the business and its owners have been changed.



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