

## APPLIED BUSINESS QUESTION

### *Atlantic Surf*

Shay Doherty, a native of Summerstown, is the owner of *Atlantic Surf*, a surfing school located on the seafront at Summerstown Beach in County Donegal. In 2008 Shay was enjoying life in Australia and perfecting his big wave surfing skills when he read an article in the 'National Geographic' describing the quality of the giant waves surfers were experiencing along the west coast of Ireland. Inspired by the article and having always wanted to have his own business he decided to return home from Australia in 2008 to set up *Atlantic Surf*. Having tried and failed in business in the past Shay realised that he needed to carry out some market research and get assistance with this venture. Shay contacted the Irish Surfing Association (ISA) and received valuable advice on health and safety legislation, on how to network and on the importance of having a web presence. He prepared a business plan and received a business start-up grant of €10,000 from Donegal County Enterprise Board. He used the grant together with €30,000 he had saved while working in Australia to establish *Atlantic Surf*, an ISA approved surfing school.



From the outset Shay understood that location would be a key factor driving business success. While researching property sites he spotted a suitable retail premises located on the seafront at Summerstown. The property was advertised as being available for immediate use for an annual rent of €10,000. Given the economic climate at the time and the collapse in property prices in Summerstown, Shay believed that a better deal could be agreed. He telephoned the landlord and suggested a more realistic price of €7,500. This price was rejected and both parties entered into negotiations with the objective of concluding a legal contract. In April 2009, just before celebrating his twenty-eighth birthday, Shay was delighted when the landlord said yes to an annual rent of €8,000. Shay secured the premises and paid €8,000 to the landlord. The necessary documentation for the rental was signed in the solicitor's office in time for the busy summer surfing season.

Shay decided to open a 'one stop surf shop' in the rented premises and appointed Karen, a champion surfer, as its manager. The shop sells high quality stock including wetsuits, surfboards, kite surfing equipment and *Atlantic Surf* branded beach clothing. In addition, it rents out wetsuits and surfboards. From the beginning, Karen adopted a cash sales only policy with customers and negotiated a 30 day credit period with suppliers. While very pleased with the high stock turnover of the *Atlantic Surf* branded beach clothing, she had some concerns because the annual stocktake revealed a high level of kite surfing equipment still unsold. To assist with cash flow, Karen decided to use the website to highlight offers such as *6 surfing lessons for the price of 5* if payment is made in advance. Karen believes quality development is key to business success and she is hoping to apply for Quality Standard Certification in the near future.

- (A) Illustrate what it means to be an entrepreneur with reference to *Atlantic Surf*. (20 marks)
- (B) 'For a contract to be legally enforceable **certain essential elements** must exist.'  
 Discuss this statement with reference to the rental of the premises by Shay Doherty for *Atlantic Surf*. (30 marks)
- (C) Evaluate the effectiveness of the systems of management control in operation at *Atlantic Surf*. (30 marks)
- (80 marks)**

