

A Level Accounting - Summer Activity

Otmar owns a small business which makes designer leather shoes. The business has grown quickly and has recently been unable to keep up with customer demand due to a shortage of skilled labour.

Otmar thinks it is time to buy some new machinery to help speed up production and enable the business to complete more orders.

This could increase profit by at least 25%. The cost of the machinery is £25,000 and the business will struggle to find the money required.

Otmar believes he needs to bring a partner into the business ownership in order to invest funds into the business. He is considering the following two options:

1. Kimmi

Otmar employs Kimmi as the production manager. Kimmi has suggested on a number of occasions that she should become a partner. Kimmi has good ideas, knows every part of the production process and trains all the staff to a high standard. The staff have a strong working relationship with Kimmi. Otmar worries about their loyalty if Kimmi ever left.

Kimmi would invest all her savings of £20,000 into the business. Otmar would put a further £5,000 into the business from his own savings.

2. Priya

Priya, an old friend of Otmar, contacted him to suggest she is willing to invest in the business. Priya has recently sold her own very successful footwear business. She has no interest in getting involved in the day-to-day running of another business at the moment. This should leave Otmar to run the business without interference.

Priya could access funds of up to £100,000 to invest in the business. Priya would invest £90 000 into the business.

Tasks - Can be typed or handwritten

1. Using paragraphs, discuss the reasons for and against for **both** Kimmi and Priya becoming Otmar's business partner. You must include financial **and** non-financial factors.
2. Use what you have written for part 1 to choose between either Kimmi or Priya.

Note

You may use AI to help you with this activity. However, if you do, then you must include the following information on the last page:

- A. The name of the AI tool that you used
- B. The prompts/instructions you used

Please hand this to your teacher in your first Accounting lesson in September