



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education



ENTERPRISE

0454/01

Paper 1

October/November 2012

CASE STUDY



READ THESE INSTRUCTIONS FIRST

You should read and discuss the case study thoroughly and carefully in advance of the examination. The examination questions will be based upon the case study and your own enterprise experience and knowledge.

The businesses described in this case study are entirely fictitious.

You will be given one copy of this case study for use during your preparation for the examination, which you may annotate as you wish, but which you will **not** be allowed to take into the examination.

You will be provided with a clean copy of the case study, along with the question paper, for use in the examination.

This document consists of **4** printed pages.



TEMAL

Background

Shegan and his friends, Layla and Aizaz, had struggled to find work since leaving school last year and all three were now unemployed. All three thought of themselves as enterprising, and believed that they had been enterprising both at school and at home. The three friends had enjoyed their Enterprise lessons at school and had always said that they would like to start up an enterprise if they could think of anything that people would be willing to buy. They wanted to do something creative.

They had enjoyed watching the 2010 football World Cup in South Africa and had been amazed by the sight of the objects that had been made out of recycled scrap metal. They had seen people in South Africa take old tin cans and turn them into head-dresses in the form of figures of various animals which could be used at carnivals, parties and special occasions. They thought that many other items could be made out of recycled metal, such as toys, storage containers and bowls. They thought that this would be a good idea for a business.

Planning

Shegan, Layla and Aizaz knew that it was important to plan before starting an enterprise. They could remember their Enterprise teacher talking about what could go into a business plan. They each had a small amount of money that they could put into the enterprise and they all decided to borrow some money from their families. This would provide enough money to buy scrap metal to start the enterprise.

The friends did not, however, wish to spend any money on buying the scrap metal until they had done some research into the likely level of demand for recycled products. They thought that it would be better if they carried out primary, rather than secondary, research.

The research

Shegan, Layla and Aizaz decided to ask their friends some questions to find out the likely demand for recycled products. They agreed on four questions:

1. Would you be willing to buy goods made out of recycled metal?		
2. What objects would you like to buy?		
Head-dresses	<input type="checkbox"/>	Toys <input type="checkbox"/>
Storage containers	<input type="checkbox"/>	Bowls <input type="checkbox"/>
Cups	<input type="checkbox"/>	Money boxes <input type="checkbox"/>
3. How much would you be willing to pay for each item?		
4. What colours would you like them painted?		

Fig. 1

After asking their friends these questions, they realised that they needed to ask more people. Layla therefore decided to ask people the questions as they came out of local shops.

The response was very encouraging. The research showed that there would be a large demand for head-dresses and toys made from recycled metal. They decided to go ahead with the enterprise. It took them a long while to think of a name for it but in the end they agreed on TEMAL, an anagram of the word metal. They decided to form themselves into a partnership rather than a limited company.

Finance

The partners understood that most of their costs would be buying the scrap metal and that they need to be able to negotiate with suppliers to keep costs down. They did not know how much to charge for each product so they drew up a budget to help them.

Items	Amount in US\$
Cost of scrap metal required to produce 10 toys or head-dresses	5
Cost of paint for 10 toys or head-dresses	3
Total cost for 10 toys or head-dresses	8
Revenue from selling 10 toys or head-dresses at US\$2 each	20
Profit on selling 10 toys or head-dresses	12

Fig. 2

They could remember from their Enterprise lessons the importance of cash flow and so they decided to produce a monthly cash flow budget.

Shegan, Layla and Aizaz decided that their profit would be distributed in three ways. They would:

- keep some of the profit for themselves
- use some of it for reinvestment into the enterprise
- donate some of it to the local community and charitable organisations.

Starting out

The partners realised that they would need to have some form of promotion so that people would be aware about the toys and head-dresses. They decided to produce their own posters which would be displayed in the local area. An example of one of these is shown below.

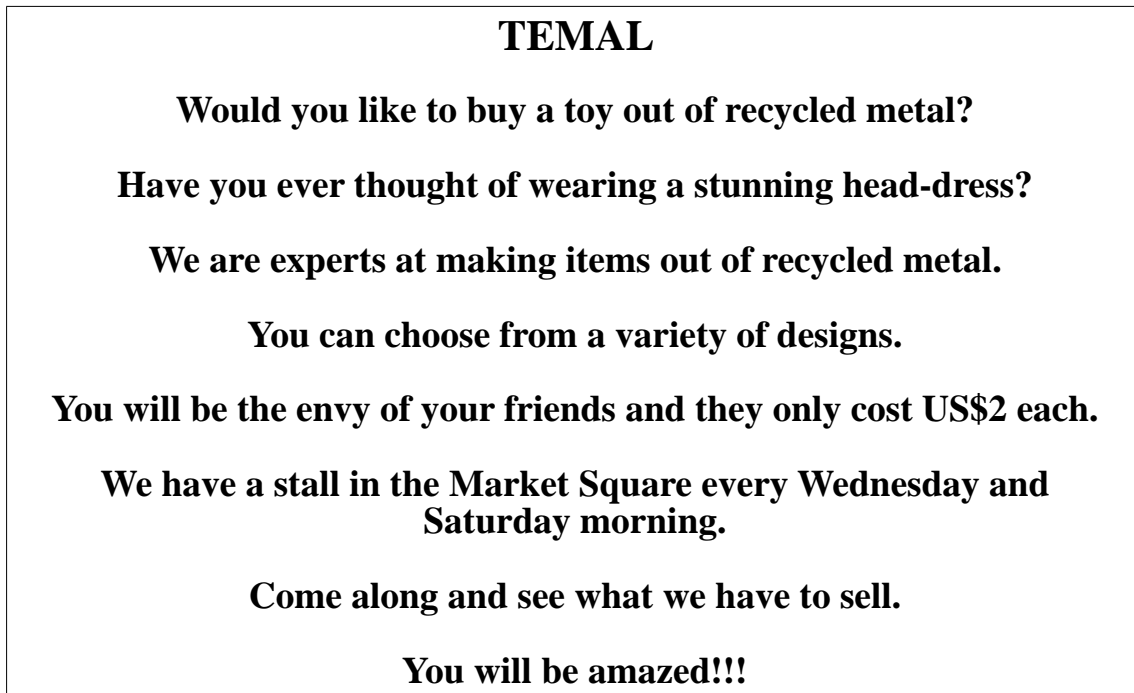


Fig. 3

Although the three partners were friends, they agreed to have a business meeting once a week, but these did not always go well. Layla was always late and, to begin with, nobody produced an agenda or took minutes of what they had agreed. They believed that their meetings were not as effective as they could have been.

Their enterprise, however, was a success and Shegan, Layla and Aizaz were generally pleased with their efforts. Their Enterprise teacher saw them in the Market Square one Saturday morning and told them how pleased she was that they had managed to set up and run an enterprise.

The partners wanted to expand the enterprise in the future and believed that there were many more objects that could be made out of recycled metal. They wanted to increase sales and thought it would be useful to set up a website to advertise their products and to take orders. They also thought that there would be opportunities to make products out of other recycled materials, such as rubber.