



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ENTERPRISE

0454/01

Paper 1

For Examination from 2011

SPECIMEN INSERT

1 hour 30 minutes

READ THESE INSTRUCTIONS FIRST

The Insert contains the case study for use when answering the questions.

Anything the candidate writes on this Insert will **not** be marked.

This document consists of **3** printed pages and **1** blank page.



Specimen Case Study

The Entrepreneurs

Natasha has worked in the clothing industry since leaving college ten years ago. She enjoys her work in the design department of a large clothing manufacturer, but has always felt that she wanted to have more independence. Natasha is particularly keen to develop her own ideas for a range of clothing made from organic cotton (cotton grown without using chemicals). Recently she has started to make the clothes using her own designs and friends and family are very enthusiastic about the styles.

With real incomes currently rising, a growing demand for exclusive clothing and government grants to help new businesses, Natasha has decided that the time is right to set up her own business manufacturing and selling her own unique designs.

Although Natasha has creative skills and is good at motivating people, she realises that she does not have all of the skills required to run the enterprise alone. She has asked her friend Karanveer to work with her in the new enterprise. Karanveer works as a manager in a local clothing factory and has experience in managing staff and particularly in team building as well as experience in dealing with customers to ensure they are satisfied and remain loyal to the business. The friends both know many suppliers and customers in the clothing industry and have many business contacts. They think they can use this knowledge to make the new business a success.

Setting Up

As new entrepreneurs Natasha and Karanveer are aware that there are many risks involved in setting up their own enterprise but they are confident that they have the ability to succeed in this market despite the strong competition. They are prepared to not make any profit in the first year providing they survive and gain customers. Natasha wants to ensure that she and Karanveer keep control of the business as she does not want to be just another employee in her own business.

Natasha and Karanveer have both agreed to invest US\$20 000 to help to set up the business but they realise that they must find other sources of finance to pay for premises, to employ staff and to buy equipment such as sewing machines and stock. They agreed to discuss the enterprise with their Bank Manager to negotiate a bank loan.

In preparation for the meeting, the Bank Manager has asked Natasha and Karanveer to prepare a business plan to bring with them. She has asked them to include the following:

- a statement of their business objectives
- a PESTEL analysis
- relevant budgets.

While preparing these documents, Natasha and Karanveer also think about the employment of new members of staff and particularly the legal issues of advertising and selecting staff. They are keen to make sure that their business follows all laws and is run in an ethical way.

The Meeting

Natasha thinks that they are well prepared for the meeting as they have produced the business plan and have tried to calculate the budgets the Bank Manager has asked for. However, Karanveer, who is experienced at negotiating, is concerned that he is not fully prepared as and is very worried about the quality of the financial budgets they have produced.

At the meeting the Bank Manager, Mrs Sodha, is impressed with the information provided in the plan but is not impressed with the unprofessional layout. She questions Natasha on her SMART objectives and is not sure that the friends have thoroughly researched all aspects of the proposed enterprise. They are not sure how much money they need or the benefits to the bank of working with their enterprise.

One concern is the type of business organisation that they will be setting up. As they will be setting up the enterprise together Natasha and Karanveer thought that they would have to set up a partnership and are not aware of the other types of organisation that might be suitable for their enterprise. Mrs Sodha explained that becoming a limited liability company would give their business a number of advantages and might provide them with a source of finance.

Mrs Sodha also says that they would need to carefully analyse their market before starting their business. She suggests arranging another meeting in one month to allow the friends to complete further planning.

Although Natasha and Karanveer leave without the money they need, they are determined to prepare thoroughly for the next negotiation.

