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ENTERPRISE

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INSERT

1 hour 30 minutes

READ THESE INSTRUCTIONS FIRST

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

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

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K and M

Background

Keziah and Mohammed had enjoyed their Enterprise lessons at school. They had worked well together in their enterprise team on the coursework. Now that they had left school, they thought that it would be a good idea to use some of the ideas they had learned in their lessons.

They had a meeting to think about possible ideas for an enterprise, but they could not think of anything. Keziah eventually suggested the idea of providing a service which would produce business cards, flyers, leaflets, letter-headed stationery and curriculum vitae (CVs) for people in their local area.

The idea

When she was at school, Keziah had wanted some help in producing her CV. She had wanted it to look professional, but had been unable to find a company in the area to produce her CV. She therefore thought that this might provide an opportunity for a new enterprise.

Mohammed thought that this was a very good idea. He knew that some of his friends wanted business cards to help them get work. Mohammed thought that there must be many companies who would want an efficient local service providing business cards, flyers, leaflets and letter-headed stationery.

Keziah and Mohammed realised that they would need to carry out some research, including primary research, to find out if there were potential customers in their local area. They also realised that there was a risk associated with starting a new enterprise as they could lose all of the money invested.

The research

Keziah and Mohammed carried out secondary research using the Internet and discovered that there were no local companies providing this kind of service. There were some companies in other areas who advertised this kind of service on the Internet, but they were expensive and would take six days to deliver. Keziah and Mohammed thought that if they could provide a quicker and cheaper service, they might be able to get their enterprise established.

Keziah and Mohammed decided to carry out some primary research and produced a questionnaire which they sent to fifty companies in the area. Keziah had also completed a small survey amongst her friends which showed that a service producing professionally designed CVs would be popular.

Finance

Over 90% of the questionnaires were returned. The results showed that there was a demand in the local area if the enterprise delivered promptly and at a reasonable price.

Keziah and Mohammed wanted to ensure that they paid close attention to the finances of their enterprise. They decided what their prices were going to be by producing a budget.

They knew that they would need to buy a good quality printer that would be suitable for the production of flyers, leaflets, letter-headed stationery, business cards and CVs. The indirect costs would need to be taken into account when producing the budget as well as the direct costs. Fig. 1 is their budget, which shows the costs, revenue and profit of the enterprise.

The enterprise's budget

Revenue from selling 100 items	US\$20
Direct and indirect costs of producing 100 items	US\$10
Profit from selling 100 items	US\$10

Fig. 1

Keziah and Mohammed set a price of US\$20 per 100 items from leaflets, flyers, business cards, pages of letter-headed stationery and CVs. They predicted this price would produce a profit.

Starting out

Keziah and Mohammed had very little money themselves and so they needed to decide how to organise and finance the enterprise. They had considered organising the enterprise as a partnership. Their family and friends, however, had told them that they would be willing to buy shares in the enterprise if they could. Keziah and Mohammed decided to organise their enterprise as a limited company. This would enable them to raise additional finance for future growth beyond the local area. This was one of their business objectives. They would be known as K and M Limited.

Keziah and Mohammed understood the importance of formal and informal communication to the success of their limited company. They realised that they would need to raise awareness of K and M Limited, its products and services. To do this they placed an advertisement in the local newspapers.

Within an hour of the newspapers being published, K and M Limited had received its first order. This was for 500 flyers to publicise the opening of a new supermarket in the area.

Keziah and Mohammed spoke to a business adviser who suggested that to ensure the future short-term and long-term success of K and M Limited, they would need to formally meet to answer the following questions:

- How well have the business objectives been met?
- Do the business objectives need changing?
- How will new business objectives be achieved?

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