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**ENTERPRISE**

**0454/01**

Paper 1

**May/June 2014**

CASE STUDY

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**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.

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

## CASE STUDY

### WYNTON'S BIKE SERVICING AND REPAIRS

#### Background

Wynton really enjoyed his Enterprise lessons at school and discovered a lot about what was involved in running an enterprise. He knew that it might be difficult to find a job when he left school because of rising unemployment in the area. This made him think about the possibility of setting up his own enterprise.

#### The idea

Wynton had been riding a bicycle since he was four years old. He had learnt from a family friend how to service and repair bicycles and to fix punctures. Wynton also knew a great deal about motorcycles.

In his area, many people still use bicycles and motorcycles, rather than cars. Wynton thought that there was likely to be an opportunity for a bike servicing and repair enterprise. He was determined to succeed, even though he knew that there was a high risk that his proposed enterprise idea might fail. He decided to carry out some research to find out if there was a demand for servicing and repairing bicycles and motorcycles in the area.

#### The research

Wynton produced a questionnaire which he gave out to his friends. His parents also gave the questionnaire out to people they knew who had bicycles and/or motorcycles. Fig. 1 shows the questions that were included in Wynton's questionnaire.

<b>Would you like your bicycle and/or motorcycle repaired?</b>	
<b>Please answer the following questions:</b>	
<b>Question</b>	
<b>1.</b> Would you be interested in having your: bicycle serviced? motorcycle serviced?	<input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> YES <input type="checkbox"/> NO
<b>2.</b> How regularly would you want it serviced?	PLEASE STATE .....
<b>3.</b> What is the maximum amount that you would be willing to pay for: a bicycle service ..... ? a motorcycle service ..... ?	
<b>4.</b> Would you be willing to pay me to repair punctures?	<input type="checkbox"/> YES <input type="checkbox"/> NO
<b>5.</b> How much would you be willing to pay to have a puncture repaired?	PLEASE STATE .....

**Fig. 1**

The response rate to the questionnaires was good. From the answers to the questions, it was clear that there was likely to be a strong demand for the bike servicing and repair enterprise that Wynton was proposing to establish.

## Finance

Wynton thought that it was important to plan the finances of his enterprise.

The responses to the questionnaire showed that people would want their bicycle and/or motorcycle serviced, on average, every six months. He would decide what to charge for repairs when he saw what needed doing.

The questionnaire responses gave Wynton an idea of the prices he would be able to charge, as shown in Fig. 2. He already knew the cost of the materials that he would need, such as spare parts, oil, grease and puncture repair kits. Wynton calculated that his enterprise should be able to make a profit.

<b>PRICES OF SERVICES</b>	
<b>Service</b>	<b>Price (US\$)</b>
Servicing of bicycle	15.00
Bicycle puncture repair	5.00 (per tyre)
Servicing of motorcycle	30.00

**Fig. 2**

Fig. 3 shows the costs of materials required to carry out the servicing and puncture repairs.

<b>COST OF MATERIALS</b>	
<b>Service</b>	<b>Cost (US\$)</b>
Servicing of bicycle	1.50
Bicycle puncture repair	0.50 (per tyre)
Servicing of motorcycle	4.00

**Fig. 3**

Wynton had used the model of negotiation he had learnt in his Enterprise lessons to agree the cost of materials with suppliers, such as spare parts, oil, grease and puncture repair kits. He was very pleased with the low costs he had negotiated. Fig. 4 shows the model of negotiation that he used.

<b>MODEL OF NEGOTIATION</b>	
<b>1</b>	Preparation for the negotiation
<b>2</b>	Discussion of what each party needs from the negotiation
<b>3</b>	Negotiate a favourable outcome
<b>4</b>	Reach agreement

**Fig. 4**

## Starting out

Wynton believed that the prices and costs shown in Figs 2 and 3 indicated that his enterprise could be successful. He would have to make sure, however, that he marketed Wynton's Bike Servicing and Repairs effectively so that people living and working in the local area knew that he was open for business. He thought about using local newspapers, leaflets and word of mouth.

Wynton also needed to think about the type of business organisation of his enterprise. He liked the idea of working for himself, and decided that a sole trader would be the most appropriate form of business organisation in the short term. He already had some money saved from working on a market stall at the weekend and so he had some finance to start his enterprise. Wynton realised, however, that he did not have all of the financial management skills needed to run the enterprise effectively.

Wynton explained his idea for a bike servicing and repair enterprise to Angela, a market stall holder. Angela told Wynton about the difficulties she had when starting her market stall. Angela had to buy a lot of stock before opening her stall, which caused a cash flow deficit, although she had calculated that her business would be profitable.

If the bike servicing and repair enterprise was successful, Wynton might want to expand it in the future. He might need to think about bringing in a partner in the medium term or long term.

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