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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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Mabel's Lunches

Background

Mabel left school and then worked for the next two years in a local fast food restaurant. Although she liked serving customers, Mabel did not find the work interesting because there was no opportunity to be creative. She was also annoyed by strict company rules which did not seem to be sensible to her.

With few qualifications and little work experience, Mabel was worried that she would never be able to find a better job. She remembered Enterprise lessons at school when the class had discussed the work of local entrepreneurs and she thought about running her own restaurant. The restaurant she worked in was always busy and people seemed to have some money to spend. A new restaurant might attract customers and be successful.

After another frustrating week at work, she met with Vijay, her school friend. They talked about what they would like to do in the future. Vijay remembered that at school Mabel had been very enterprising. He thought that the idea of a restaurant was good, but he was worried about the risks of setting up a new enterprise.

The Idea

Vijay realised that as Mabel had limited savings she would not be able to afford to set up a restaurant. He thought she should look at other, less costly, food enterprises. He showed Mabel a recent advertisement for Faster Food, a franchise.

» *Faster Food* »

Franchise Opportunity

For a US\$25 000 franchise fee we will provide you with:

- a distinctive van
- the right to be the only Faster Food van in an area
- Faster Food training and advice
- suppliers of food and packaging
- marketing materials

Your vehicle to success

Web page: fasterfoodfranchises.com

Fig. 1

When Vijay explained the idea, Mabel was very excited by the possible benefits of using a franchise such as Faster Food. However, she realised that she did not have enough savings to buy a franchise. She suggested asking a bank for a loan. Vijay thought it was unlikely that the bank would lend Mabel the money and that borrowing this much money was a risk for her. Vijay was willing to provide some finance and to become a partner but Mabel did not want to enter into a partnership. However, she did like the idea of a food delivery enterprise. The idea for 'Mabel's Lunches' was formed.

She planned to start up as a sole trader under the name 'Mabel's Lunches'. The enterprise would be a sandwich delivery service for local businesses.

The Research

Before giving up her job Mabel wanted to research her enterprise idea and calculate the risks involved. She discussed the idea with her father, who runs his own business. He suggested that she should first research the costs of setting up the business and prepare some financial documents as part of her business plan. He also advised her that she should set some business objectives before going any further. He was concerned about the possible legal issues involved in producing and selling food.

Mabel was determined to succeed and keen to get started. She soon discovered that she was right about the demand for a convenient sandwich delivery service. Demand is increasing as many people are working longer hours and do not have time to prepare food. She thinks that now may be a good time to set up her enterprise.

Her experience of budgeting for her personal finances proved useful when drawing up the cash flow budget. She was worried to find that in her first year of business there was likely to be a cash flow deficit in some months. Mabel was confused as the profit and loss account seemed to show that the enterprise would be profitable.

The budget for month one of Mabel's Lunches

| Budget item | Cost US\$ |
|--------------------|----------------------|
| Van | 2000 |
| Packaging | 35 |
| Food items | 150 |
| Total | <u>2185</u> |

Fig. 2

Starting out

Mabel used her own savings to buy a small van. She gave out leaflets to all the local businesses. To make sure that she could afford raw materials, she planned to negotiate credit with local suppliers.

The response to the advertising was good and Mabel gained some regular customers. Mabel struggled to manage all of the work on her own but she persevered. She calculated the risks and responsibilities of attracting more customers, so that she could afford to employ someone to work for her. In the long term Mabel wants to expand her enterprise.

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