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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.

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

The Fruit Drinks Enterprise

At school Aiyana had chosen to study Enterprise. In the first lesson the teacher explained what is meant by enterprise. He asked the students to give examples of ways that they had been enterprising at school or at home. Aiyana told the class all about her family farm and how she organised a fruit stall at the gates of the farm to earn extra money for the family. The teacher was impressed by her entrepreneurial skills.

As part of the course, students were expected to run a small enterprise. The enterprise would run for one week and any products or services would be sold at school. The teacher asked the students to work in groups to identify possible ideas for their enterprise. Aiyana chose to work with her friends, Ezequiel and Harley.

The idea

Ezequiel suggested that they bake cakes and snacks to sell. Harley was not sure that this was a good idea. She had to help with the cooking at home and did not want to cook at school as well. Two other groups of students had already chosen to sell homemade cakes and cookies. The teacher suggested that the friends would need a different idea if they were to make a profit.

Aiyana suggested that they make iced fruit drinks using the fruit from her family's farm. Harley and Ezequiel agreed that this would be a better choice for their enterprise project, because people were always willing to buy a cool drink.

The risks

The teacher liked the friends' idea of selling fruit drinks but he said that there were a lot of issues, including laws and regulations, that affect the production and selling of food and drinks. He suggested that they complete a PESTEL analysis to help them to identify all of the risks of this enterprise.

The planning

The friends decided that they would divide up the work and agreed to meet in one week to share their results. Ezequiel would work on the financial documents, including the budget. Harley would complete the market research. Aiyana would negotiate with her family to obtain the fruit that they would need.

Aiyana was unsure about the negotiation with her family. She knew that she would need to plan carefully and to use appropriate language in her negotiation. She asked her teacher to help her to prepare.

The meeting

At the friends' next meeting Harley showed the results of her market research. Students would be willing to buy fruit drinks. Harley thought that they could sell up to 20 drinks per day.

Aiyana's negotiation had been successful. Her family would supply the fruit, at a low price, and accept delayed payment. The delayed payment would help the new entrepreneurs to manage their cash flow and could also benefit the family.

Ezequiel produced the budget, which showed that the enterprise could make a profit.

Budget for the Fruit Drinks Enterprise

Revenue (US\$) from 100 drinks	
Revenue	100.00
Variable costs (US\$) for 100 drinks	
Ice	4.00
Fruit	4.00
Sugar	2.00
Paper cups	10.00
Fixed costs (US\$)	
Blender	29.99

Fig. 1

The friends were pleased. They thought that they were ready to start trading but the teacher disagreed. He reminded them that they had not planned all aspects of their enterprise, especially the marketing of their drinks. The teacher explained that good planning was essential to the success of an enterprise.

There was still a lot of work to do. Aiyana, Ezequiel and Harley started to plan for the future.

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