
ENTERPRISE

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Paper 1

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1 hour 30 minutes

READ THESE INSTRUCTIONS FIRST

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

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

CASE STUDY

C&A Designs

Cameron is a talented artist. At school he had enjoyed producing artwork from materials that would normally be thrown away. These materials included empty plastic water bottles.

When he left school he found a part-time job in a local shop that sold gifts for tourists. In his free time Cameron continued to produce artwork. He dreamed of earning an income by selling his artwork but he thought that he did not have the personal attributes or entrepreneurial skills.

The idea

Arjun, the owner of the shop where he worked, allowed Cameron to store his artwork and materials in an empty room. Cameron collected used plastic water bottles to produce colourful artwork. As a result the room was often full of materials. To thank Arjun for his help, Cameron made a display of flowers from plastic water bottles to put in the shop window.

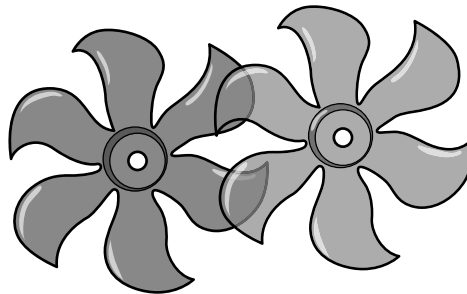


Fig. 1 An example of Cameron's artwork

Many of the customers who came into the shop asked if they could buy the flowers from the shop window. Artwork made from recycled products is becoming more fashionable. Arjun asked Cameron if he would like to make some artwork to sell in the shop. They agreed that 40% of the profit from the sales would go to Cameron.

The artwork was soon the most popular item sold in the shop. Word-of-mouth advertising led to many people visiting the shop just to buy Cameron's artwork.

Arjun knew that his shop was becoming more well-known because of Cameron's artwork. Arjun was worried about what would happen if Cameron sold his artwork somewhere else.

A partnership

Arjun thought that both he and Cameron could benefit if they set up a new enterprise, as a partnership, operating from the shop premises. The new enterprise would be called C&A Designs. Cameron and Arjun realised that starting a new partnership could be a risk. The new enterprise would need to make enough money to cover all of its costs and provide an income for both of the partners.

The partners knew that it would be important to write a partnership agreement for C&A Designs to reduce the potential risks involved. The partners decided that they would also need a formal source of support to help them to set up the new enterprise. They therefore arranged a meeting with the local bank manager.

The meeting with the local bank manager

At this meeting Cameron and Arjun explained their enterprise idea. The partners wanted their enterprise to be profitable but Cameron was also very concerned about the social impact of the enterprise. He wanted their enterprise to continue to be run in an environmentally-friendly manner, minimising packaging and waste.

Arjun was worried that if the enterprise was successful Cameron would not be able to collect enough plastic water bottles to meet the demand for his artwork. The bank manager suggested that the partners try to negotiate with a local recycling company to purchase the bottles that they would need.

C&A Designs could not provide complete financial documents, because the partners had not yet researched all of the costs. The bank manager explained the importance of producing and keeping accurate financial documents, especially budgets and cash flow. She also explained that it is possible for a profitable business to go bankrupt due to negative cash flow.

Starting out

Following the meeting with the bank manager, Cameron contacted the local recycling company to negotiate a suitable price for the plastic water bottles. The partners wanted to be sure that they would be fully prepared to negotiate a successful deal.

Arjun decided to carry out some market research to identify potential customers. He was particularly interested to find out what made customers return to the shop for more artwork.

The partners were confident that C&A Designs was more prepared than ever to be a success!

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