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**ENTERPRISE**

**0454/12**

Paper 1

**May/June 2017**

INSERT

**1 hour 30 minutes**

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**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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## Rakesh's private tutoring service

### Background

Rakesh is a sole trader. He works as a private tutor, teaching students mathematics in their own homes. Rakesh finds his work very rewarding but travelling to the students' houses reduces the amount of time he can use for teaching. With increasing numbers of students wanting private tuition, Rakesh has been forced to turn some students away. Recently he has started to think of more efficient ways of running his enterprise.

### The idea

A small hall is available to rent near Rakesh's home, which would provide enough room for a small group of students to meet. This would allow the opportunity for Rakesh to teach small groups at one time. This would reduce the time he spends travelling to students.

Rakesh knows that adding a new service to his enterprise is a risk. He would need to pay the rent for the hall in advance. If he does not retain his existing students, he could make a loss. To minimise the risk, he decided to do some research before renting the hall.

### The market research

Rakesh produced a questionnaire to hand out to his existing students. Fig. 1 shows the questions that were included in Rakesh's questionnaire.

**Extract from the questionnaire**

Name of Student .....

1. Would you be interested in attending lessons in a hall?    Yes     No

2. If Yes, tick which you would prefer:  
Individual lessons     Small group lessons

3. What days of the week would you like to attend lessons?  
Please state: .....

Thank you for your time

**Fig. 1**

From the answers to the questionnaire it was clear students would be willing to travel to the lessons and to be taught in a small group. Rakesh realised that renting the hall would not be such a risk, and so he went ahead and paid the rent.

## An opportunity

Only days after renting the hall and starting his new enterprise, Rakesh's friend, Nina, showed him an advertisement in the local newspaper. An international tutoring franchisor wanted to open a centre in the local area. This centre would be a competitor for Rakesh and he might lose some of his customers.

Nina agreed that this could be a threat but it could also be an opportunity. Rakesh could buy the franchise and run the centre from the hall. Although he liked the independence of being a sole trader, Rakesh agreed that a franchise might be beneficial. He requested some information from the franchisor.

The franchisor sent out a leaflet that explained all of the details of the franchise. Fig. 2 shows an extract from the leaflet:

**Tutoring Franchise**

**Open your own centre**

Our methods help students to develop their skills at their own pace, completing worksheets designed specifically for their level of ability.

The franchise fee of US\$2000 covers:

- Full training, including financial planning
- Branded marketing material
- Business support from the franchisor
- Support from a network of other franchisees
- Help with recruitment of students

An additional fee of US\$5 per student is payable for worksheets.

**High customer satisfaction reported by existing students**

**Fig. 2**

Rakesh was also invited to a presentation for potential franchisees.

After attending the presentation, Rakesh was still unsure whether to invest in the franchise. He had not made any notes during the presentation and still had many questions.

The decision was also difficult because Rakesh did not know how successful his changed enterprise would be. Although he had completed a business plan at the start of his enterprise, he had not yet updated this plan. He decided to ask an accountant for advice.

## Planning

The accountant asked for detailed information about his current enterprise, including what Rakesh's objectives were for the business. She then helped him produce a cash flow budget for the next two months and an up-to-date profit and loss account. The accountant also answered some of his questions about the franchise opportunity. This time Rakesh made notes.

By the end of the meeting Rakesh had made a decision. His enterprise was profitable and with his loyal customers the new franchise would not be a major threat to his success. Buying the franchise would add to his costs and may not give him any extra profit. He would not buy the franchise but would continue as an independent sole trader, running classes from the hall.

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