



Cambridge O Level

ENTERPRISE

4054/01

Paper 1

For examination from 2020

SPECIMEN PRE-RELEASE MATERIAL

INSTRUCTIONS

- Read and discuss the case study thoroughly and carefully before the examination. The examination questions will be based on the case study and your own enterprise experience and knowledge.

INFORMATION

- This copy of the case study is for you to use during your preparation for the examination. You may annotate this copy of the case study but you must **not** take it into the examination.
- You will be provided with a copy of the case study, as an insert to the question paper, for use in the examination.



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The Fruit Drinks Enterprise

The background

At school Aiyana chose to study Enterprise. In the first lesson the teacher explained what is meant by enterprise. Aiyana told the class all about her family's 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 enterprise 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. Although she was a talented cook, she helped 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 wanted 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 to consider. These issues included laws and regulations that affect the production and selling of food and drinks. He suggested that they complete a PEST 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.

The completion of the financial documents would be Ezequiel's responsibility. Harley was good at talking to people, so she would complete the market research. Aiyana would negotiate formally with her family to get the fruit that the friends would need.

The friends knew this would be a lot of work to complete in one week. Good time management would be essential.

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 offer the new enterprise trade credit. The trade credit 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.

Table A

Budget for the Fruit Drinks Enterprise	
Revenue (US\$) from 100 drinks	
Revenue	200.00
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

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 their marketing communications. The teacher explained that good planning, and effective monitoring of those plans, are essential to the success of any enterprise.

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

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