Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

ENTERPRISE **0454/12**

Paper 1 **May/June 2019**

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1 hour 30 minutes

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READ THESE INSTRUCTIONS FIRST

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

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[Turn over

Turning tyres into chairs

Background

Paul likes to make things but he hates waste. After completing tasks such as building shelves, Paul saves any unused raw materials in case they can be used for other household jobs. As a result his house is full of pieces of wood and metal. Paul's friends laugh about his inability to throw anything away, but many of them have saved money by using Paul's materials.

The problem

Paul walks to work every day through a public park. One day he noticed that someone had left a pile of car tyres in the park. He was shocked. When he arrived at work, Paul telephoned the park manager to tell him about the tyres.

The park manager thanked Paul for his call. He said that this may be due to people having to pay a fee to have their rubbish removed or to leave it at an official rubbish site. To avoid paying the charge, some people left their rubbish anywhere.

Paul wanted to know what would happen to the pile of tyres. The park manager said that the local government would have to pay to have the tyres taken to an official rubbish site, because old tyres are difficult to recycle.

The idea

During the day, Paul thought about his conversation with the park manager. He felt that it was a waste to allow the pile of tyres to be discarded. He told his friend Harriet about the tyres.

Harriet suggested that Paul should ask to take the tyres. Although Harriet was not being serious, Paul did wonder if there was a way that he could use the tyres and avoid them being wasted.

That evening, Paul did some research. He found that people were using tyres to make a range of different types of furniture. Paul liked the furniture and wondered if he would be able to make some for himself. He already had a set of old tyres and all of the other materials needed to make a chair. Paul made the chair shown in Fig. 1.

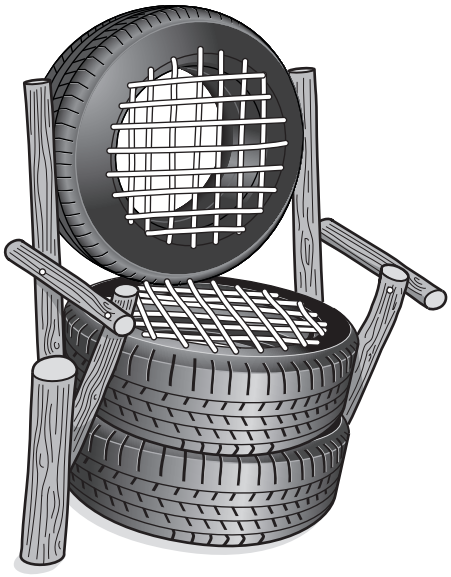


Fig. 1

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The research

Paul was pleased with the chair. He wondered if people would be willing to buy chairs made out of tyres. If he could sell the chairs, he would be able to use many of the tyres that were currently being discarded.

He decided to complete some market research among his friends and family. The results of the research were positive and gave Paul an idea of the price his friends and family would be willing to pay for the chairs. Although the tyres could be free, he would need to purchase some other materials. Table 1 shows the costs of materials required to make one chair.

Table 1

Item	**Cost**
Rope	$3
Nails	$2
Wood varnish	$1
Total cost per chair	**$6**

Paul thought that he now had enough information to produce a budget for making the chairs.

The next step

Paul thought that he could make a profit by making the chairs and selling them at a price of $8. He contacted the park manager and asked if he could have the tyres that had been left in the park. The park manager agreed and Paul collected the tyres straightaway.

When Paul told Harriet about his new enterprise, Harriet was not enthusiastic. Although she was impressed that Paul had considered the costs of the project, Harriet was concerned about the limited amount of market research completed to identify potential customers. She also asked if Paul had researched all of the laws and regulations affecting the making and selling of furniture. Paul admitted that he had not thought about laws and regulations at all.

Harriet thought Paul's enterprise had many potential risks. Selling products made from old tyres might not be such a good idea. Customers might complain when they realise where the materials for their new furniture had come from. She suggested that before Paul started the enterprise he should think about the marketing of the product and potential sources of finance. Harriet's advice was that Paul should complete a business plan and then discuss the plan with an advisor. Paul thought that Harriet was being too negative. He ignored her advice about the business plan and started production. Paul did, however, start to research possible sources of finance, including government grants.

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