Cambridge Assessment International Education

# Cambridge IGCSE™

**ENTERPRISE** **0454/13**

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INSERT **1 hour 30 minutes**

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**INFORMATION**

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

This document has **4** pages. Any blank pages are indicated.

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## Millie's boat trip enterprise

### The background

Millie lives in an area of a country which has miles of beautiful coastline and nearby islands. Her father, a fisherman, taught Millie the basics of sailing and how to maintain boats. Millie continues to enjoy sailing in her leisure time.

Millie currently works in a tourist office. She enjoys helping people but dislikes working indoors. Part of Millie's job is to give tourists the details of local boat owners who offer day trips. As a result, she has become good friends with some of the boat owners and they allow her to borrow boats to sail for a small fee.

### The idea

Millie's friend, Keisha, had invited her to a party she was organising on a local island. Keisha had intended to hire a boat to sail herself and her friends to the island. Keisha asked if Millie could suggest a boat owner who would be able to do this. Millie had offered to sail Keisha and her friends to the island. The trip was successful, and some of the guests asked Millie if she would sail boats for them. The guests were willing to pay Millie to do this.

Soon Millie was spending all of her leisure time taking paying customers on sightseeing boat trips. She had become an entrepreneur.

Millie did not own a boat, and therefore she needed to pay to rent one from a local boat owner for each sightseeing trip. Renting a boat reduced the amount of profit she could make on each trip. She began to wonder if it would be worth taking the risk and buying her own boat. If she owned a boat, she could operate her boat trip enterprise full time and leave her job at the tourist office. She decided to do some research.

### The research

First Millie researched the price of a boat. Then she asked the local boat owners about any other related costs. They told her that as well as the usual enterprise costs, the government required all boat owners to pay for insurance in case of accidents to their customers. Table 1 shows the costs she was given for operating in her first year.

| Costs | US$ |
|---|---|
| **Fixed costs (in the first year of Millie's enterprise)** | |
| Boat purchase | 8000 |
| Insurance | 250 |
| General maintenance | 600 |
| **Variable costs** | |
| Fuel per trip | 10 |

**Table 1**

Millie calculated the revenue per boat trip would be US$30.

One boat owner, Kyle, reminded Millie to consider the cost of marketing communications. He also reminded Millie that government policies could change and she would need to ensure that she was always fully aware of the current laws and regulations. Any change could have an effect on the success of her enterprise.

**The finance**

After calculating all of the costs, Millie realised that if she gave up her full-time job she would not be able to afford to buy and operate a boat. She had limited savings and so would need additional funds.

A bank loan would be a possibility but that would require her to write a business plan. Millie thought that this would be too time-consuming. She decided to continue renting boats for her enterprise.

Millie told her friend Keisha about her decision. Keisha asked Millie if she had considered crowdfunding, a government grant or trade credit as sources of finance. Although Millie had heard of these sources, she was not sure how they worked. Keisha provided an explanation.

**The decision**

While Millie was considering the best source of finance, Kyle contacted her. He explained that he intended to expand his boat service enterprise and asked if she would be willing to work for him. Kyle knew that Millie had the practical skills needed and that she was popular with customers.

Millie knew that working for Kyle would provide a regular income, as he had many loyal customers. She was confident that she could help Kyle's enterprise to become even more successful. However, Millie did not want to work as an employee. Instead, she suggested joining his enterprise as a partner.

Having operated for a number of years as a sole trader, Kyle was not sure that he wanted a partner. He agreed to consider her suggestion and meet with Millie in a week's time.

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