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ENTERPRISE **0454/12**

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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.

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Finn's campervan conversion enterprise

The background

Finn is a carpenter. He found it difficult to find a job in his local area due to high unemployment. Finn decided to travel around the country to find work. To save money on accommodation, he planned to sleep in his van.

Finn wanted to make the van more comfortable before starting his journey. His carpentry skills were useful in completing most of the tasks. However, as he is not a qualified electrician or plumber, Finn used online videos produced by another entrepreneur to help him build a small kitchen and bathroom in the van.

The idea

When he had completed the van conversion, Finn posted photos of his campervan onto a social media site. He received positive comments about the quality of his work.

Eric was one of the people who viewed Finn's photos on social media and left positive comments. He was so impressed that he emailed Finn to discuss how much he would charge to convert a van into a campervan. Finn agreed to convert Eric's van for a fee of US$900.

Finn completed Eric's conversion in two weeks. Eric was satisfied with the quality and the price that he paid for the van conversion. He recommended Finn to his friends. Finn realised this could be an excellent opportunity for an enterprise, if more people would pay him to convert their vans into campervans.

Finn created an advertisement using photos of Eric's campervan, which he posted on social media. However, Finn forgot to ask Eric's permission before using the photos. This advertisement attracted potential customers. Finn was soon spending most of his time converting vans into campervans.

The problem

After a busy year completing many van conversions, Finn was disappointed with the amount of money he had earned from the enterprise. He had been earning a higher wage as a carpenter. Although he enjoyed creating campervans, Finn needed more money. He could not understand why he was not earning as much money in his enterprise as in his previous job. He decided to arrange a meeting with his bank manager to ask for her advice.

The meeting

At the meeting, the bank manager asked to see Finn's financial records. He did not have any financial records, other than receipts for raw materials purchased. The bank manager explained that there were many reasons why an enterprise should keep financial and non-financial records. Keeping these records would help to reduce the risks involved in operating an enterprise. She outlined some of the financial records that Finn should keep and how they would help him in his enterprise.

The bank manager then asked Finn the price he charged for each van conversion and the amount he spent on raw materials. Finn explained that he charged a fair price of US$900 and on average he spent US$550 on each van, although sometimes he spent more. As a carpenter, Finn had been paid a wage of US$4.40 per hour. He would expect the same hourly wage from the campervan conversion enterprise. The bank manager suggested that they arrange another meeting to complete the financial records normally kept by an enterprise.

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The research

After the meeting with the bank manager, Finn began to doubt whether he had the enterprise skills needed to be successful. He was not sure that he should continue with the van conversion enterprise. However, before giving up on his enterprise, Finn decided to research some of the financial records the bank manager had outlined.

Finn found a template for a cash flow forecast. Table 1 shows this template.

Table 1

Cash flow forecast	
	US$
Cash inflow:	
Sales revenue	
Cash outflow:	
Raw materials	
Wages	
Fuel	
Net cash flow	

Finn then decided to use the internet to find other enterprises that completed campervan conversions. He was determined to be fully prepared for the next meeting with the bank manager.

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