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ENTERPRISE **0454/11**

Paper 1 **October/November 2020**

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. Blank pages are indicated.

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The Training Café

The background

Harry had stopped working full-time and was now looking for a new challenge. He thought about using some of his personal savings to set up an enterprise. Harry had discussed the idea with four friends and they were keen to join him in setting up a new enterprise as a group.

As his friends had experience of working in different types of industries, Harry thought that they would have the skills needed to successfully run any enterprise. By using their personal savings, the group would be able to start an enterprise without having to borrow money, as long as they stayed within budget.

The group wanted their enterprise to benefit their local community and they also wanted to make a return on their investment. They were not sure what would be a suitable enterprise.

The idea

One day a young man came into a café where Harry was having lunch. The young man had seen the job advertised in the café window, for a kitchen assistant, and he wanted to apply. The café owner discussed the job with the young man but did not offer it to him. After the young man left, Harry asked the café owner why she had not employed him. The café owner explained that she needed people with experience, as she did not have the time and money to train workers. Harry could see why the owner would prefer trained staff, but he wondered how young people without training or experience could find work in cafés.

That evening Harry watched a television programme about a famous chef. The chef had set up a restaurant to help young people who did not have qualifications. The chef provided young people with the opportunity to gain the skills and qualifications which would enable them to find work. Harry thought that the friends could do the same thing in their local area. He had found the idea for the new enterprise. He telephoned his friends and explained his idea.

The research

The friends met the next day to discuss Harry's idea of a training café. They agreed that it could be a suitable enterprise project for their local community. A decision was made to complete some market research. The market research would need to identify the costs of such a project and how likely it would be to succeed locally.

An action plan was produced to help the group organise who would complete each research task. Harry would research the skills and qualifications needed to operate a café. Another member of the group, Thomasine, would research the costs of setting up a café. The rest of the group would identify the number of local competitors, potential customers, people who might be willing to work in the café and the impact on stakeholders. Fig. 1 shows the costs Thomasine researched.

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Fig. 1 – Costs

Monthly costs:	
Rent	$100
Advertising	$20
One off costs:	
Equipment	$500

Each of the 5 members of the group agreed to invest $500. This investment would provide the finance for the new enterprise.

The next step

Before the group could fully complete their research, a local café was advertised for sale. Harry thought that this would be perfect for the new enterprise. He arranged a meeting with the group and suggested that they buy the café before anybody else did.

Harry thought that buying a café that was already operating would reduce some of the risks of setting up their enterprise. However, some of his friends were not willing to buy the café so quickly. Thomasine suggested that they take time to complete all of the research because they needed more information before making a final decision. The group agreed to complete their research and then produce a business plan. They would meet again to discuss the idea once the business plan was completed.

The meeting

At the meeting, the business plan showed that the enterprise would probably break even in the short term and maybe make a profit, based on the existing number of customers. The café would be expensive to purchase because it would take all of the group's invested funds. The group decided that this would not be the best choice for their enterprise. They agreed to search for another café to buy to set up their training café. They wanted a café that would be within their budget.

Harry was very disappointed. He was determined to set up the training café as soon as possible and he thought that this café was the perfect place. Harry wondered if he could negotiate a lower price with the seller of the café. He arranged to meet the seller of the café to negotiate further.

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