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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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Kwame's Home Repair Enterprise

The background

Kwame had enjoyed his enterprise lessons at school and he had learnt what was involved in setting up an enterprise. Having left school, he was struggling to find a job because of rising unemployment in the local area. He thought that he could use the enterprise skills he had learnt to set up his own enterprise, if he could identify a suitable idea.

Kwame and his brother, Zane, had been helping their father with home repair tasks for several years. Their father had taught them how to repair many home items. Zane had become skilled at fixing electrical items and Kwame was able to repair furniture. Zane and Kwame had also completed a number of home repair tasks for their neighbours.

The idea

Kwame thought a home repair enterprise in the local area might be profitable. He knew that many new enterprises failed. Kwame believed that he had the skills needed to reduce the risk of failure of a future enterprise. He decided to carry out some research.

The research

Kwame first used the internet to find information about local home repair enterprises. He researched the services that each enterprise offered and the prices they charged. Kwame then produced a questionnaire which he gave out to his friends and family.

It was clear from the answers to the questionnaires that there was likely to be a strong demand for the home repair enterprise that Kwame was proposing.

Finance planning

Kwame thought that, before starting an enterprise, he should plan the finance. His questionnaire had indicated the price that customers would be willing to pay for home repairs. Kwame's internet research had identified the prices his competitors were charging. He believed that if he could charge a lower price than the competitors, he would attract customers. He thought US$10 per hour would be the right price to charge.

He researched the costs of the equipment he would need to set up his enterprise. Fig. 1 shows these costs.

Costs of equipment	
Item	**Cost (US$)**
Van	1000
Tools	320
Smartphone	30

Fig. 1

Kwame thought that the variable costs would be $1 per hour. This would cover fuel and materials.

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Kwame realised his personal savings would not be enough to buy the equipment he needed. He would need another source of finance. He wondered if his brother, Zane, would be willing to invest some funds in the enterprise.

Although Kwame had not identified all the costs, he thought he had enough information to discuss the enterprise idea with Zane. Kwame arranged a meeting with his brother.

The meeting

The brothers met in a local café to discuss the proposed home repair enterprise. At this meeting, Kwame showed Zane the research he had completed.

Zane was interested in the proposed new enterprise. However, before taking the risk of investing his money, he wanted more information. He suggested that they should calculate the break-even number of hours to see if starting the enterprise would be worthwhile. Kwame explained that they could do this already as this enterprise would have no variable costs. Therefore, Zane suggested Kwame should produce a detailed business plan. This business plan would help Zane to decide whether to invest in the enterprise or not. The two brothers agreed to meet again the next week.

Kwame decided that he would prepare thoroughly for the next meeting. He realised that by meeting informally in a café he had chosen the wrong method of communication to persuade his brother to invest. Kwame would have to think carefully about the method of communication he would use in the future.

He started to write the business plan, but he realised that he had forgotten the calculation Zane had asked him to include. Kwame had to text Zane to find out what calculation he had wanted.

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