



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

www.PapaCambridge.com

ENTERPRISE

0454/01

Paper 1

May/June 2012

INSERT

1 hour 30 minutes

READ THESE INSTRUCTIONS FIRST

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

Anything the candidate writes on this Insert will **not** be marked.

This document consists of **4** printed pages.



KLG BADGES

Background



Khia had recently left school and now works in the office of a charitable organisation. However, she finds the work boring and poorly paid.

She has good memories of her Enterprise lessons at school and wondered if she could start up a business alongside her office work. She had studied the work of many different entrepreneurs in the lessons, and remembered one entrepreneur who had been successful by producing pin badges that promoted various events and organisations. Khia thought this might be a realistic business opportunity and one that she would enjoy setting up.

The idea

Khia believed that there could be a large demand from charitable organisations for badges, which they could sell to raise funds. There are many charities operating in her country and she thought that people might like to wear a badge to show support for their favourite charity. She also knew that the charities had fundraising events at different times of the year, and badges could be used to advertise these.

Khia also thought that there would be a market for other kinds of badges. There were often various kinds of music festival taking place and badges would be a great way of advertising and supporting these. Schools and colleges also have events throughout the year where badges could be sold.

The research

Khia realised that she should carry out some research. She would need to find out about making the badges and the names of organisations that might be interested in buying them.

Khia used the Internet to research how much it would cost to produce the badges:

- She would need to buy the metal backs, with the pins attached, and the plastic tops. These would cost US\$50 for a thousand.
- She could make the designs herself or the organisations could provide her with their own designs to print on the paper or card. The cost for the paper or card would be US\$5 per thousand badges.
- She would need to buy a machine to place the plastic on top of the card and attach it to the metal badge. Khia compared the prices of machines advertised on the Internet and decided she could buy one for US\$50.

Planning

Khia had a small amount of savings and thought that she would have enough money to start the enterprise. She knew that she could apply for financial support, such as a loan, an overdraft or a government grant, in the future if she needed more funds to buy a much better computer and printer.

Khia now had to decide on the name of her enterprise. She chose to use her own initials: KLG Badges. She decided to run the business as a sole trader. She knew that there were possible sources of support for her, both formal and informal, that she could use if necessary.

Khia then decided to contact charitable organisations, music event organisers and schools and colleges to find out if they would be willing to support her enterprise idea by ordering badges from her. They were very interested in Khia's enterprise. A selling price of US\$1 per badge was suggested with the organisation keeping half of this and the other half going to Khia.

Khia drew up a budget of the costs for KLG Badges:

| Items | Cost (US\$) |
|--------------------------------|--------------------------|
| Metal badges with plastic tops | \$50 per thousand badges |
| Paper/card | \$5 per thousand badges |
| Machine | \$50 |
| Total cost | <u>\$105</u> |

Fig. 1

Khia then drew up another budget to see if KLG Badges would be profitable:

| Items | Income in US\$ per thousand badges |
|-----------------------------|------------------------------------|
| 1000 badges | \$1000 |
| 50% to be kept by Khia | \$500 |
| Subtract cost of production | \$(55) |
| Profit | <u>\$445</u> |

Fig. 2

NB: The figures in brackets are negative.

Khia realised that even after the organisations took 50% of the income, she would still be able to make a profit from selling the badges. She understood the difference between fixed and variable costs, and realised that even after paying for the machine out of her profit, she could still make a profit.

Khia understood that it would be important to keep and maintain accurate financial records once her enterprise got started, to make sure that she did not make a loss. Khia knew from her Enterprise lessons that good communication would be needed when dealing with the external stakeholders of her enterprise.

Starting out

Khia realised that although she had contacted many organisations in her research, she needed to ensure that as many charitable organisations, music event organisers, schools and colleges as possible knew of her enterprise.

She decided to produce a promotional leaflet to send out. Khia realised the importance of using appropriate language in business communication.

KLG BADGES


**The best way to advertise your organisation or event –
high quality badges.**

**KLG badges will be very popular and will help to gain
publicity for your organisation or event.**

**They will cost just US\$1 per badge and your organisation
will keep 50 cents of this.**

Contact KLG Badges on 864257288990

Place your order today!



Order Now!

Within a week Khia had received her first order from an organisation promoting a two-day music event in her local town in three months' time. It wanted to place an initial order of a thousand badges. KLG Badges was in business!