
ENTERPRISE

0454/12

Paper 1

May/June 2016

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1 hour 30 minutes



READ THESE INSTRUCTIONS FIRST

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

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Ollie's Oils

Ollie is very concerned about the environment and looking after the planet. He organises the recycling of paper, plastic and cans at school.

The school project

Ollie's science class was asked to research the different types of fuel that could be used to power engines. Ollie chose to research environmentally-friendly fuels. He learnt that it is possible for any engine to be run using recycled cooking oil. This fuel would be less expensive than normal fuel.

Ollie thought that this was an excellent idea. At home he had seen used cooking oil being thrown away. He wondered if it would be possible to do anything with that oil. Ollie decided to do some further research.

The idea

Ollie discovered that a factory in the local town had recently started to recycle cooking oil for fuel. He decided to email the owner of the factory with some questions.

The owner was happy to help with Ollie's research. She told Ollie that her business collected used cooking oil from local restaurants. They did not collect cooking oil from individual homes because the cost of collection would be too high for such small amounts of cooking oil.

Ollie had an idea. What if he could collect the cooking oil from family homes? Would the factory owner be willing to pay for the cooking oil? He emailed the owner again.

The owner was impressed by Ollie's idea. She said that if Ollie could collect a large amount of cooking oil, she would be willing to buy it. Ollie believed that he would be able to meet the needs and wants of this customer.

The planning

Ollie had never thought of setting up his own enterprise, because he thought that new enterprises involved too much risk. Ollie was a risk avoider. However, he thought this enterprise would be very low risk and would be worth trying.

Before going any further he decided to get some help and support from an advisor.

The meeting with the advisor

At this meeting, Ollie explained how his enterprise idea would operate. He would ask the students at his school to collect their families' used cooking oil. The cooking oil would be put into large bottles at school which would then be delivered to the factory once they were full.

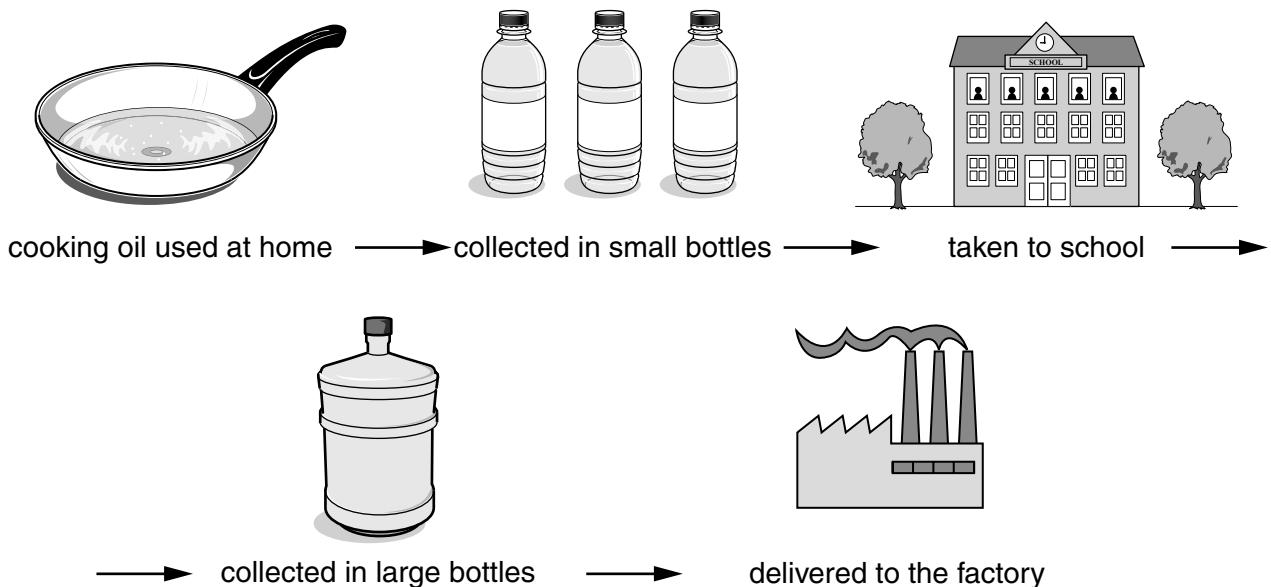


Fig. 1 The operation of Ollie's Oils enterprise

Ollie's main objective was to help the environment. He did not want to make a profit but he did want to cover the costs. The cost per litre of oil collected would be \$2, so Ollie would need to sell the oil to the factory at this price to break-even. Any profit made would be invested into other environmental projects. The advisor told Ollie that this type of enterprise is called a social enterprise.

He also explained the importance of a business plan for any enterprise. The business plan would help Ollie to see the problems that might occur in the enterprise.

The advisor said that he would help Ollie to complete the business plan but he must first complete the research for his enterprise. The business plan would need to include both financial and non-financial information. The financial information must include all of the investment required and the expected revenue for the enterprise.

Starting out

After the meeting with the advisor, Ollie was sure that his new enterprise could be a success, but he knew that he would still need a lot of help and support.

Before he could start the enterprise, he would need to communicate with stakeholders in order to gain their agreement. An important stakeholder would be the Principal of his school.

Ollie's biggest problem would be how to get students and parents interested in his recycling scheme. He was not very good at marketing. He decided to ask the advisor about this at their next meeting.

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