

## Case study 2

Chapter 1: The nature of business activity

Chapter 2: Types of organisation

### UniFuture

Mary Owen and Suyin Li are young mothers. They were forced to give up their jobs when they each had babies and they are finding that they miss their working lives, with the mental stimulation and social contact they had enjoyed. Now that their children are about to start school, they want to start a business in the local area which they can run while their children are at school or when their husbands are at home to look after the children. They know that local families in the area are relatively wealthy and, with competition for university entry currently being fierce, parents are willing to pay high fees in order to give their child any possible advantage. However, increasing numbers of local people are being made redundant as the recession advances. There are political discussions about increasing university fees. Universities are cutting places for local students and are taking more full-fee students from abroad.

Mary was recently left some money when her father died and Suyin had saved some money when she was working. Suyin used to be a financial advisor and Mary has extensive experience of giving university and careers advice. They have heard reports that local students need extra careers and course advice that their schools are unable to offer. After doing a survey among local parents that confirms the need, they decide to set up a tertiary sector consumer advisory service called UniFuture. Parents will be billed for hours spent with their child. Special help with writing applications and personal statements will be billed on a fixed-fee basis.

The two friends have never had a serious argument, and Mary is happy to set up the business as a partnership as it seems to be the simplest option. Suyin feels that setting up a private limited company would be better.

#### SL questions: 20 marks, 35 minutes

- 1 Define the term 'tertiary sector'. (2)
- 2 Examine **two** arguments in favour of setting up the proposed UniFuture business. (5)
- 3 Comment on **two** problems that UniFuture could face as a start-up business. (6)
- 4 Analyse whether Mary and Suyin should set up as a partnership or as a private limited company. (7)

#### HL questions: 25 marks, 45 minutes

- 1
  - a Identify **two** characteristics of entrepreneurs such as Mary and Suyin. (2)
  - b Define the term 'partnership'. (2)
- 2 Examine why the proposed business idea may be a good one in view of the personal restrictions, advantages and talents of Mary and Suyin. (6)
- 3 Analyse whether Mary and Suyin should set up as a partnership or as a private limited company. (6)



- 4** Evaluate whether the proposed business idea is likely to be a viable one within the current socio-economic climate. **(9)**