

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS**  
**Advanced Subsidiary GCE**

**APPLIED BUSINESS**

**F242/CS**

UNIT 3: Understanding the Business Environment

CASE STUDY

**PRE-RELEASE MATERIAL FOR JUNE 2006 EXAMINATION**

To be opened on receipt.

**INSTRUCTIONS TO TEACHERS**

- This case study **must** be opened and given to candidates on receipt.

**INFORMATION FOR CANDIDATES**

- You **must** make yourself familiar with the case study before you take the question paper.
- You **must not** take notes into the examination.
- A clean copy of the case study will be given to you with the question paper.

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**This case study consists of 6 printed pages and 2 blank pages.**

# Cheeky Monkeys

Andrea Turner and Michele Kelly have been running Cheeky Monkeys Nursery Ltd for the past three years. They started the business having spent many years working for other businesses in the same market. For a long time, Andrea and Michele, who met on a college nursery nurse training course, had spent many Friday evenings identifying all of the faults of their respective nursery workplaces. There came a point where they could no longer put up with working for other people and they decided to take the initiative in developing their careers by opening their own business.



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The first 18 months of trading were extremely positive. The business attracted a good customer base and Andrea and Michele filled the two nursery classes which they ran with the assistance of two employees. They also employed a cook, Mrs Miggins, to provide basic lunches. In some ways, the beginning was too easy! Andrea and Michele could not believe how they had managed to open their own business and make a success of it. Within the second year, they had opened two new classes and employed four new nursery staff.

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Children at Cheeky Monkeys Nursery Ltd are enrolled on a termly basis and parents are invoiced for payment at the end of each term – dependent on their child's attendance level. The nursery is closed for public holidays and some school holidays. Parents are not charged during these periods. Cheeky Monkeys Nursery Ltd managed to accommodate the extra classes by dividing what was the old dining area into two new classrooms and feeding all of the children in the rooms where they played.

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Problems began to occur as the business entered its third year of existence. Some of the problems could have been predicted, others could not. With the success of the business at the forefront of their minds, Andrea and Michele had begun to get carried away with the growth that they had achieved and did not anticipate any possible weaknesses or threats which faced their business.

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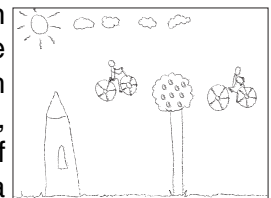
The increase in numbers of children meant that Andrea's method of managing budgets and the business' accounts was put under increasing pressure. The result of this was that Andrea made a decision to empower Mrs Miggins, the nursery cook, to take control of her own budget whilst she continued to manage the staffing and consumables budgets. The division of this budgetary process was to be one of the first errors. In addition, some of the staff who had been more recently recruited, were not as reliable as Andrea and Michele had hoped. Worse still, one of the staff had been causing unrest by suggesting that the wage levels were not as good as at some of the competitors.

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These internal problems began to fade into the background as changes began to occur in the external environment. The first issue to impact upon Cheeky Monkeys Nursery Ltd followed an investigation by the regulatory body, Ofsted. Andrea and Michele had been informed by Ofsted that they needed to ensure that the children, given the type of building they were in, would have to eat their lunches in a room which was separate from the classrooms. As if that was not enough of a problem, the second bombshell to drop on Andrea and Michele was the opening of a new competitor nearby which provided new job opportunities and also a greater choice for parents.

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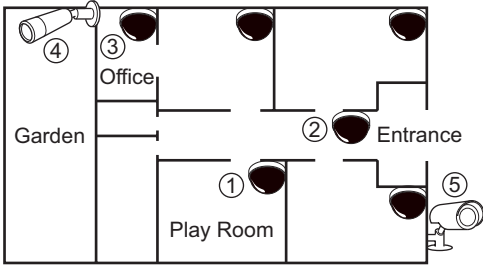


The new nursery, Playmates Ltd, was a much bigger business than Andrea and Michele's. Rumours suggested that it paid higher wages than Cheeky Monkeys Nursery Ltd and it also used Internet technology and cameras to allow parents to see their children in the nursery at any time they wished (see Fig. 1).

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## Playmates Ltd advertisement

# Playmates Ltd



The floor plan shows an Office, a Play Room, a Garden, and an Entrance. Five camera locations are marked with numbered circles: 1 in the Play Room, 2 at the Entrance, 3 in the Office, 4 in the Garden, and 5 near the Entrance.

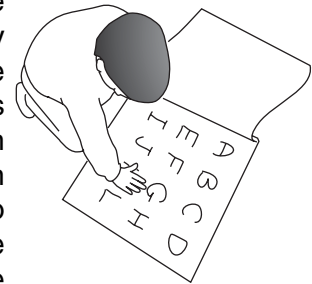
**View your child at nursery at any time for your peace of mind and ours!!**

**From the office, from home or even on our mobile phone!**

**Your child's well-being will always come first with us!!!**

**Fig. 1**

All in all, these were major threats and obstacles for Andrea and Michele and something with which they were clearly not used to dealing. They became extremely worried about the future and the way forward for the business. Fortunately, interest rates remained low and class numbers remained buoyant. The business, on the face of it, remained in a position to deal with some of these issues. There was, however, media speculation that interest rates were likely to rise, as was local unemployment. To Andrea and Michele it was clear that the business implications of the current market situation were something with which they themselves were not equipped to deal.



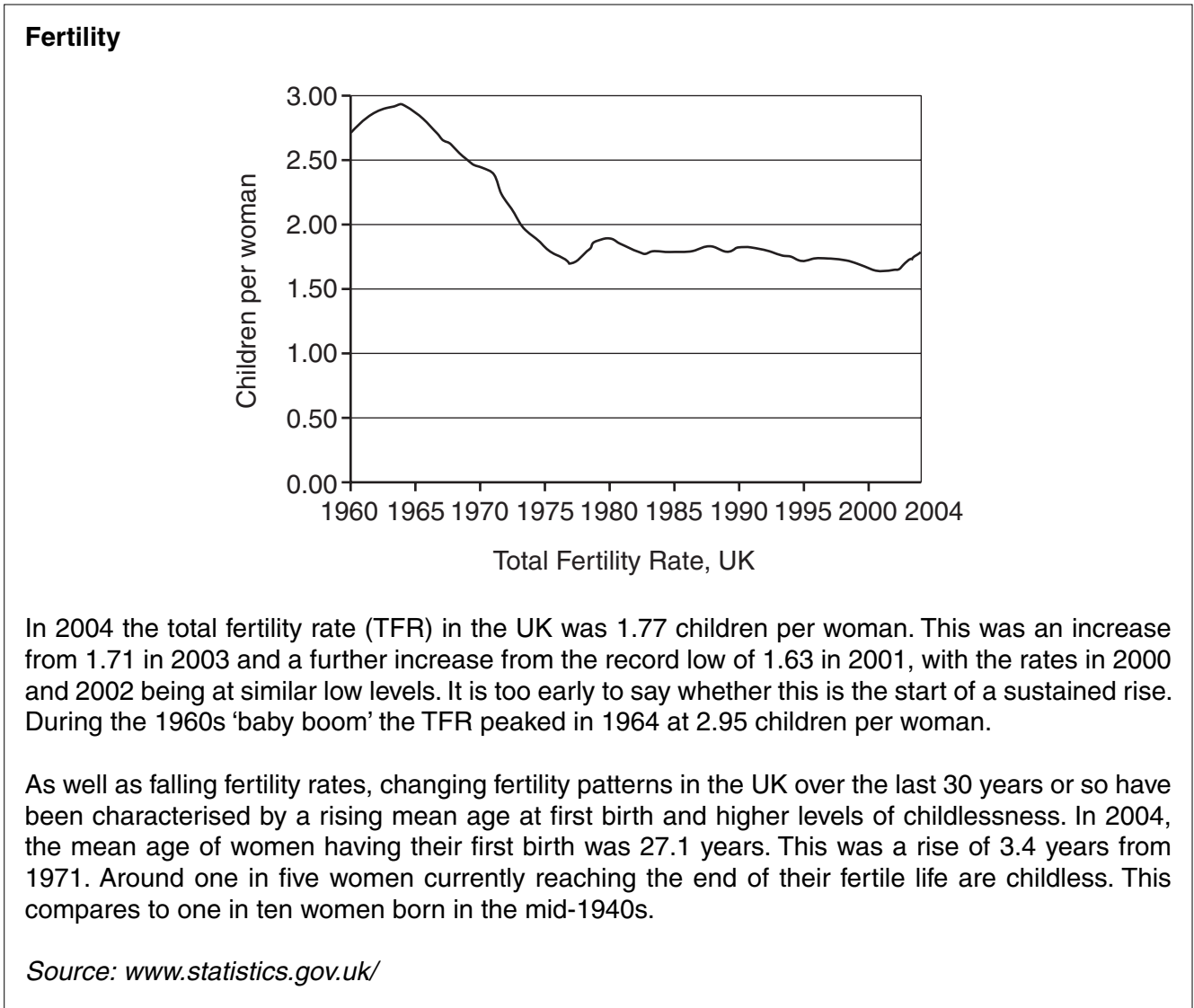
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They decided they needed help and found it in the form of Martin Smith, a local business consultant. Martin promised to undertake an exhaustive analysis of the business, its environment and the possible future options available to Cheeky Monkeys Nursery Ltd. As he left their initial meeting, Martin gave Andrea and Michele some information for them to review and asked them to consider its possible effects on Cheeky Monkeys Nursery Ltd.

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Information provided by Martin:



**Fig. 2**

**Pre-school education**

There has been a major expansion in pre-school education over the last 30 years. The proportion of three and four year olds enrolled in schools in the UK rose from 26 per cent in 1972/73 to 65 per cent in 2002/03. This is due both to the expanding provision of places – there were around 3800 state nursery schools in 2002/03, more than double the number in 1990/91 – and a fall in the three and four year old population in recent years. In 2002/03, 34 per cent were enrolled in other settings offering early education such as nurseries. The pattern of participation varies regionally.

*Source: www.statistics.gov.uk/ [Participation rates of children aged 3-4 in maintained nursery and primary schools: by region, January 2003: Social Trends 34]*

**Fig. 3**

**Snap checks on nurseries begin****Nurseries and playgroups in England will receive no notice of inspections from now onwards.**

Under new rules brought in by the education inspectorate for England, Ofsted, childminders will be given just a few days notice of a check.

Previously, nurseries or childminders would have been given several weeks notice of an inspection.

In another new development, reports on childminders will now appear on the Ofsted website.

Ofsted's director of early years, Maurice Smith, said: "These changes will help us get right to the heart of the quality of childcare. Little or no warning of inspections will enable inspectors to see 'on the spot' how good the quality of care is and changes to the interval between inspections will enable us to focus on tackling those childcare providers that fail to meet the government's national standards."

*Source: <http://news.bbc.co.uk/1/hi/education/4400609.stm>, 1 April 2005*

**Fig. 4**





