

**BUSINESS**: ***Creating informed, discerning employees, consumers and future leaders***

**Topic 1.1.2 Risk and Reward**

**Key Vocabulary**

**Risk –** something bad / negative that could happen

**Reward –** something good / a positive effect

**Financial –** related to money

**Non-financial –** non-money related

**Profit –** what a business has left from its income after paying all of its costs

**Don’t be a “man on the street”**

* Although risks can cause a business to fail, careful
planning and research can reduce risks
* Don’t confuse the term ‘security’. It is not about prevention from theft, but about regular income

**Core Knowledge**

Starting and running a business are risky activities. A large percentage of start-up businesses fail in the first five years.

Risks are things that can go wrong. These include:

* Business failure
* Financial loss
* Lack of security due to not having a regular income

Business can fail because:

* An entrepreneur does not know the market well
* Not having enough capital to start the business
* Poor decision making
* Competition from other businesses
* Not meeting the needs of customers

Rewards are what can be achieved through business success. These include:

* Profit
* Personal independence

**Wider Business World**

**Thomas Cook, BHS** – businesses that have failed. Find out why

**Richard Branson** – an entrepreneur worth billions, but he still takes risks when starting new ventures. Why would this be?

**Synoptic Links**

**Role of enterprise** – entrepreneurs are the individuals who take risks

**Ownership** – different types of ownership have different levels of risk for the owner

**Customer needs** – knowing what these are helps to reduce risk

**Market research** – doing this helps to reduce risk