

Standard 14 : Profit and the Entrepreneur

Students will understand that:

Entrepreneurs are people who take the risks of organizing productive resources to make goods and services. Profit is an important incentive that leads entrepreneurs to accept the risks of business failure.

Students will be able to use this knowledge to:

Identify the risks, returns, and other characteristics of entrepreneurship that bear on its attractiveness as a career.

Starting a new business, such as a "drive thru" that sells fruit-freezes, is difficult and risky. Challenges abound: hiring and managing the workers to make and serve the freezes, ordering supplies and making sure they arrive on time, giving prompt and courteous service so customers will return, and earning enough money to pay workers, taxes, suppliers and everyone else involved in the production and sales process, while still leaving something for the owner.

Spending money and using resources to supply a product is risky, because costs are incurred before consumers decide whether they will purchase the product at a price sufficiently high to cover the costs. Starting a new business or producing an entirely new product is especially risky because in the case of a new product producers know even less about how consumers will react. Entrepreneurs accept the risks and organize productive resources to get products produced. Profits are the financial incentive and the income that entrepreneurs receive in return for their effort and risk if they are successful. If they aren't successful, losses are the financial incentives that tell entrepreneurs to stop using resources as they have been using them.

Understanding the roles of entrepreneurs, profits, and losses is important to workers, business owners, and consumers. Wages and employment opportunities at a business depend on the business' success in earning profits and avoiding losses. Similarly, public policies that affect the profitability of a business will influence not only the owners and employees of the business, but also the consumers who buy the products produced by the business.

Benchmarks

Grade 4

At the completion of Grade 4, students will know that:	At the completion of Grade 4, students will use this knowledge to:
Entrepreneurs are individuals who are willing to take risks, to develop new products, and start new businesses. They recognize opportunities, like working for	Read a children's book about an entrepreneur. Identify the main character's entrepreneurial characteristics and compare their own entrepreneurial characteristics

themselves, and accept challenges.	with those of the main character.
An invention is a new product. Innovation is the introduction of an invention into a use that has economic value.	Identify three examples each of inventions and innovations.
Entrepreneurs often are innovative. They attempt to solve problems by developing and marketing new or improved products.	Solve a problem by creating a new use for an existing product such as a wire coat hanger, thimble, or shoulder pads. Also develop an advertising campaign for their new product.

Grade 8

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also that:	At the completion of Grade 8, students will use this knowledge to:
Entrepreneurs compare the expected benefits of entering a new enterprise with the expected costs.	Read short biographies of various entrepreneurs and identify the risks each entrepreneur faced and the entrepreneur's incentive(s) for accepting the risk.
Entrepreneurs accept the risks in organizing resources to produce goods and services because they hope to earn profits.	Interview an entrepreneur to learn why he or she was willing to start a new business.
Entrepreneurs and other sellers earn profits when buyers purchase the product they sell at prices high enough to cover the costs of production.	Analyze simple profit and loss statements and conclude that entrepreneurs or other sellers earn profits when their total revenues exceed their total costs.
Entrepreneurs and other sellers incur losses when buyers do not purchase the products they sell at prices high enough to cover costs of production.	Identify a restaurant that went out of business and give reasons why this might have occurred.
In addition to profits, entrepreneurs respond to other incentives including the opportunity to be their own boss, the chance to achieve recognition, and the satisfaction of creating new products or improving existing ones. In addition to financial losses, other disincentives to which entrepreneurs respond include the responsibility, long hours, and stress of running a business.	Read short biographies of several entrepreneurs, list the pertinent characteristics of each entrepreneur, and make a generalization about the non-financial incentives that motivate entrepreneurs and the risks or disincentives entrepreneurs face.

Grade 12

At the completion of Grade 12, students will know the Grade 4 and Grade 8 benchmarks for this standard, and also that:	At the completion of Grade 12, students will use this knowledge to:
Entrepreneurial decisions affect job opportunities for other workers.	Identify an entrepreneur and describe how the entrepreneur's decisions affect job opportunities.
Entrepreneurial decisions are influenced by government tax and regulatory policies.	Explain how entrepreneurial activity is affected by a tax policy that affects income from profits and capital investment.