

Subject Content	What students need to learn?
1.1.2 Risk and Reward	<p>The impact of risk and reward on business activity:</p> <ul style="list-style-type: none"> <li>● risk: business failure, financial loss, lack of security</li> <li>● reward: business success, profit, independence.</li> </ul>



**Rewards:**

1. Business Success
2. Profit and wealth
3. Independence

Risk	Reward
<b>Risk is about chance. What is the chance that a particular outcome will occur?</b>	<b>Risks are taken in the hope they will generate rewards</b>

**Profit** = The difference between sales revenue and total costs. If the figure is positive, then the business has made a profit. This is the main aim of most businesses!

**Independence** = being able to make your own decisions and be your own boss.

Why are entrepreneurs concerned about the following risks?	Reason:
<b>Business failure</b>	Half of UK business start-ups fail within five years. This means they are no longer able to keep trading. It can also be very expensive if they have invested a lot of money.
<b>Financial loss</b>	If a limited company gets into financial trouble they are personally protected from the losses. However, an unlimited company is not. Their own possessions may be seized to cover the debt.
<b>Lack of security</b>	When you start a business you are not guaranteed to get paid each month unlike a regular job. If you have responsibilities this can be a worry.

