

5.02 – Let's Practice Making Profit

EFFECTS ON PROFIT

The day-to-day decisions for the gift shop and the level of business Amelia is able to maintain will affect this budget, resulting in many variations of the plan. What are the effects the following issues would have on profit?

1. The employees demand a 10% raise.
2. The lease is up on the building and the owner would like to sell her the building for \$150,000 or increase the rent to \$15,000.
3. Amelia is considering adding another full time employee for an annual cost of \$20,000.
4. Insurance coverage is too low and she needs to double it.
5. There are new opportunities to advertise in connection with community events that would expand her advertising budget.
6. She needs to buy a computer to improve her record keeping systems.
7. Shoplifting losses force her to increase her markup an extra 5%.
8. Sales in the first six months have been 10% below expectations.
9. Her daughter "borrows" money from the register and does not repay it.
10. She is considering buying a used van for \$10,000 and offering free delivery services to her customers.

5.02 Factors Affecting Business Risks

Directions: Review the Factors Affecting Business Risks movie (or PowerPoint) to fill in the blanks to the following information.

Identify Business Risks

Define Risk:

Risk Management:

Business Risk:

Speculative Risk:

Examples:

Pure risk: