Profit Across Time

How ownership shapes business decisions

SS24.E.5a "Evaluate the role of profit as an incentive for short- and long-term decisions by corporations, partnerships, and sole proprietorships."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB In each paragraph, underline a choice that could raise profit soon and circle a choice that could raise profit later. Draw an arrow from each circled choice to the reason it might pay off.

Three Businesses, Two Time Horizons

1. Maya owns a bicycle repair shop as a sole proprietor. When a weekend race brings extra customers, she can earn more profit by staying open late. Profit is the money left after a business pays its costs. Extra hours also raise her electricity bill and leave less time for repairs booked next week. Maya considers paying to train an apprentice instead of taking all this month's earnings home. Training would reduce her profit now, but faster service could bring repeat customers and higher profit next year. Because Maya owns the shop, she keeps its profits and bears its losses.

2. Across town, Luis and Noor share ownership of a neighborhood greenhouse as partners. A restaurant offers to buy all their herbs at a higher price this month. Accepting could raise immediate profit, but it might leave regular customers without herbs. Luis proposes using part of this season's profit to install more efficient watering equipment. The purchase would lower profit this season because it costs money, yet lower water bills and steadier harvests could increase future profit. Under their partnership agreement, both partners must approve the purchase. Both would receive less from the business if the equipment fails to pay for itself.

3. A regional grocery corporation faces a different choice. Its managers could fill unused freezer space with a popular dessert and earn more profit this quarter. Instead, they consider buying energy-efficient freezers that cost more now but could cut electricity costs for years. The corporation's shareholders have invested money and may receive dividends if directors authorize them. If the freezers save enough money, future profits could grow, benefiting shareholders through possible dividends or a higher share value. If savings fall short of the cost, profits could shrink and shareholders could receive smaller dividends or see their shares lose value. Managers must weigh both outcomes.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why might staying open late be less attractive to Maya than its extra weekend sales suggest?

2. Why might Luis and Noor reject the restaurant's offer even though it could raise this month's profit?

3. Why might the corporation's managers buy new freezers instead of using the space to sell more dessert this quarter?

4. If the new freezers fail to save enough to cover their cost, who could lose, and how?

3 YOUR TURN

Your own words

Choose a business in an industry not described in the passage. In 4 to 5 sentences, name its ownership form, compare a short-term profit option with a long-term investment, and explain how success or failure would affect its owners.

ANSWER KEY

Profit Across Time

GRADE 12 · SS24.E.5a

PART 1 · READ AND MARK

In each paragraph, underline a choice that could raise profit soon and circle a choice that could raise profit later. Draw an arrow from each circled choice to the reason it might pay off. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why might staying open late be less attractive to Maya than its extra weekend sales suggest?	**The extra hours raise her electricity costs and leave less time for repairs already booked next week, so the sales may not add as much profit as she expects.**
2	Why might Luis and Noor reject the restaurant's offer even though it could raise this month's profit?	**Selling all their herbs to the restaurant could leave regular customers without herbs. Protecting those customer relationships may matter more to future profit than one month's gain.**
3	Why might the corporation's managers buy new freezers instead of using the space to sell more dessert this quarter?	**The freezers cost more now, but lower electricity costs over several years could increase future profits and benefit shareholders.**
4	If the new freezers fail to save enough to cover their cost, who could lose, and how?	**Shareholders could lose because lower corporate profits might mean smaller dividends or a decline in share value.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Two partners run a neighborhood laundromat. They could raise prices this month to increase immediate profit, but some customers might leave. Instead, they could pay to start a pickup service, reducing profit now but potentially attracting regular customers and increasing future profit. If the service succeeds, both partners share the higher returns; if it fails, both share the lower returns.

Accept other supported evaluations that distinguish immediate profit from possible future profit. For the open task, look for a plausible trade-off and an accurate explanation of how the stated owners benefit or bear losses.