Follow the Profit

How risk and results shape business choices

E.C.7.4 "Explain the function of profit as a reward for risk-taking and as a signal guiding entrepreneurial decision-making and resource allocation."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline one risk Maya takes, circle a profit signal and a loss signal, and number two choices that move limited resources in response to those signals.

Maya's Bike Repair Stall

1. On Saturdays, Maya rents a stall near a train station to repair bicycles. She pays for the stall, replacement parts, and a helper before she knows how many riders will come. She also gives up time she could spend at a paid job. If few customers arrive, her sales may not cover her costs, and she bears the loss. On one busy Saturday, customers pay $900 for repairs while her recorded business costs total $650, leaving $250 in profit. That profit is a possible reward for taking the chance that customers would value her service enough to pay for it.

2. After several Saturdays, Maya notices that quick tire repairs bring in more money than they cost to provide. She earns a profit on those repairs even after paying for tubes, tools, stall space, and help. This repeated profit suggests that riders value fast service at the price she charges. It does not prove that demand will last, but it gives her a reason to test an extra hour of tire-repair service. She orders more tubes and schedules her helper for that hour. Profit has helped direct limited supplies and work time toward a use customers appear willing to support.

3. Maya also tries selling custom handlebar wraps. Sales look promising at first, but the wraps cost more to stock and install than customers pay for them. She stops ordering wraps and uses that shelf space for tubes instead. A neighbor then offers her a second stall across town. Maya does not sign the rental agreement just because the first stall made a profit: rent, customer demand, and travel time could differ. Profit and loss help her compare choices, not predict them with certainty. Her decisions move money, materials, and labor away from a losing use and toward a use that has been profitable.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why can Maya's $250 profit be called a reward for risk-taking? Name the risk.

2. What does repeated profit on tire repairs suggest to Maya, and how does she respond?

3. Why does Maya stop stocking handlebar wraps even though sales first looked promising? Explain how she uses the shelf space instead.

4. Why is profit at Maya's first stall not enough evidence to rent a second stall?

3 YOUR TURN

Your own words

Invent a different small business. In four sentences, describe a cost paid before demand is known, how profit could reward that risk, and how a profit or loss signal would change the use of one limited resource.

Follow the Profit

PART 1 · READ AND MARK

Underline one risk Maya takes, circle a profit signal and a loss signal, and number two choices that move limited resources in response to those signals. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why can Maya's $250 profit be called a reward for risk-taking? Name the risk.	**Maya paid business costs before knowing how many customers would come. She risked a loss if sales did not cover those costs.**
2	What does repeated profit on tire repairs suggest to Maya, and how does she respond?	**It suggests riders value fast tire repairs at her price. She tests another hour of service, orders more tubes, and schedules her helper.**
3	Why does Maya stop stocking handlebar wraps even though sales first looked promising? Explain how she uses the shelf space instead.	**The wraps cost more to stock and install than customers pay for them, so they lose money. Maya uses the shelf space for tubes instead.**
4	Why is profit at Maya's first stall not enough evidence to rent a second stall?	**The second stall could have different rent, customer demand, and travel time. Profit at the first stall does not guarantee profit at the second.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Jules buys ingredients for a smoothie stand before knowing how many people will visit. If sales exceed the costs of ingredients and the stall, the profit rewards Jules for taking that risk. When mango smoothies repeatedly earn a profit, Jules sees a signal that customers value them at the current price. Jules uses more of the stand's limited refrigerator space for mango ingredients and less for flavors that lose money.

Accept other risks Maya faces, including giving up a paid shift. For the open task, look for a cost paid under uncertainty, profit as a possible reward, and a specific resource choice guided by profit or loss.