



The Role of Profit in the Economy

Driving force behind our economy

What is Profit?

- Whatever money you have left after you pay your debts
- Revenue minus expenses = profit

Profit as a Driving Force

- Hope to make money is what many see as a the biggest reason to start a business
- Governments encourage and try to support business because a large portion of its money comes from taxation (yes profit gets taxed)

Driving Force behind investment

- To generate capital (money) to start a business (or to expand one) people will sell shares of the business (partial ownership)
- The reason people will buy these shares is the promise (or the hope of) making a profit

Return on Investment

- In order for people to want to invest in a business you have to try and ensure that an investor will make the same (or better) profit (return on investment) as they would with something else
- No point in doing one thing if you can do better with something else

Efficiency

- Keeping costs to a minimum to ensure maximum profits
 - While maintaining quality
 - While maintaining a high standard
 - Continually meeting the needs and wants of consumers
- Higher the revenue and the lower the expenses demonstrates that the company is running efficiently

Profit Permits

- Company to expand
 - Product line
 - Area of operation
 - Target market
- Company to develop
 - Better customer incentives
 - Better employee incentives
 - New products
 - Community involvement

Truth About Profit

- While profit is the goal and the ideal behind a business...
 - Many companies exist and operate at a point where revenue is much lower than expenses