

## Session: Taking Risks

Apx Session Length: 50 mins

Topic/Aims:	To introduce the concept and importance of taking risks to business and enterprise To introduce the idea that people take risks in many ways in business
Learning Outcomes:	<ul style="list-style-type: none"><li>• All students will know what is meant by taking risks in business and have shown their understanding by contributing to a risk assessment mind map.</li><li>• Most students will know at least two ways of raising business finance.</li><li>• Some students will understand a good range of ways of raising business finance</li></ul>
In Class activity:	Groupwork Activity
Resources:	Paper, pens, pencils, coloured pens/pencils, scenario sheet one per group

### Taking Risks – Introduction

**Any business proposal carries an element of risk. Market changes can determine this or if you have ideas which will expand or help grow your business, you may need to consider the financial implications and how this may affect the overall business. This activity aims to get student to think about taking risks and the advantage / disadvantages of moving forward in business.**

Time:	Tutor & Support activity:	Student Activity:	Checking learning against objectives:	Differentiation:	Resources:
5 – 10 min	<p>Ice breaker</p> <p>What is risk?</p> <p>Hand out post it notes and ask the group to work in pairs and identify a risk.</p> <p>Eg -Crossing the road, taking a car journey, skateboarding on the pavement, buying a lottery ticket, getting a job as a lion tamer, setting up your own plumbing business</p> <p>Display these on a flip chart and discuss the possible risks associated with each one and ask the group to come up with a % risk for each example even</p> <p>Discuss what risk means to different people.</p>	Working in pairs / groups	To introduce the concept of taking risks	If some students don't identify this then to give some examples	<p>Post it note</p> <p>Pens</p> <p>Pencils</p> <p>Whiteboard</p>

**Set the following scenario for the students:**

**The small market town of Normal has a population of about 20,000 people, with about another 30,000 living within 15 miles. A local entrepreneur has come up with the idea of converting an old brick built warehouse into a cinema with two small screens. She wants to have a fast food outlet with the cinema and is trying to get the council to take part in the project by offering them a new electronic library and a car park which the council would run and take the income from. She is also trying to get a local**

group to use part of the building as a nursery. The warehouse is up for sale at £400,000, the surrounding land for the car park is for sale at £75,000 and the council owns another section of land next to the warehouse.

Her builder tells her it will cost £200,000 to convert all of the building, but only £140,000 for just the cinema. The car park will cost another £75,000 to complete.

If the council will carry out the library work and rent the library space, the costs are reduced by £30,000 and the rent income will be £5,000 per year. If she can persuade the nursery to do the same, the costs will be reduced by £30,000 and rental income will be £4,000 per year.

20 min	<p>Ask the students: How much will it cost the entrepreneur to make the cinema alone and how much for the other proposals?</p> <p>Then ask them in pairs to discuss with their partner the other costs which could be involved in this project. Also ask them to make a list of the costs if she goes ahead with the library and nursery.</p> <p>They must then decide what the difference is for her and to make a record of their</p>	Group activity/ work in pairs	<p>All students will know what is meant by taking risks in business and have shown their</p> <p>Understanding by contributing to a risk assessment mind map.</p>	<p>Write scenario on laminated paper and hand out to students.</p> <p>Point out key figures and facts to get student to work out details</p>	<p>Pen</p> <p>Paper</p> <p>Post it notes</p>
--------	---	-------------------------------	--	--	--

	decisions.				
15 mins	Ask the students to make a mind map to show both advantages and disadvantages of the project for the entrepreneur.	Group Activity or work in pairs			Paper Pens Post it notes
10 min	<p>Give the students the following information: The entrepreneur has £300,000 in the bank from her last project and has a house with no mortgage on it which is currently worth £325,000.</p> <p>This means she will need to raise money for the project.</p> <p>Ask the students to discuss in groups of four different ways of raising finance.</p> <p>After five minutes, share the ideas as a class.</p>	Small group activity	Most students will know at least two ways of raising business finance.	<p>Ensure group participation</p> <p>Write instruction on white board or laminated card</p>	Paper Pen Laminated card

	<p><i>(Bank loan, personal loan from family/friends, mortgage the house, get a group of business people together to share the project, get the council interested in being a partner, grants, by becoming a limited company and selling shares.)</i></p>				
5 mins	<p>Ask the students to work out how much risk is involved for the entrepreneur and for the lender</p> <p>in using each method of raising finance.</p> <p>Summarise the exercise</p>	Group discussion	All students will know what is meant by taking risks in business	Ensure group participation by asking questions	