

Entrepreneurship Building a Business

Chapter 22 Risk Management

Section 22.2 Dealing with Risk

SECTION 22.2 After You Read Answer Key

Self-Check

1. You can design work areas to reduce chances of accident or fire, hold meetings with employees to educate them about the safe use of equipment, check and service safety equipment, and test the limits of your company's products or services.
2. Property insurance covers the loss of physical property such as cash, inventory, vehicles, and buildings. It can help you get back in business quickly.
3. Identify those risks you may want to insure against, prioritize your list in terms of importance, research insurance costs and coverage, compare those costs to the probability and cost of loss, and then make your decisions regarding the risks you want to insure against.

Think

4. Risk retention would be used when the business owner decides that the cost of insurance is not worth it because potential loss would be improbable or small. It is also used when the business owner must self insure because he or she is unable to get insurance or afford the policies.

Mathematics

5. $= 0.05$, $2\% = 0.02$; $0.05 + 0.02 = 0.07$; $0.07 \times \$38,000 = \$2,660$; $\$38,000 - \$2,660 = \$35,340$ is a better estimate of the store's profits.