

#### General Instructions:

- Have the students read the book chapter before meeting to discuss its principles.
- There is no handout for group members. Use the group study questions at the end of each chapter in the book as the basis for the discussion.
- The section below provides the location of answers (page and paragraph in the book), the answers themselves (in brief), and the goal of each question.

#### Chapter 5 Group Study Questions Discussion Key

1. Explain the difference between profit and revenue. Why is this difference important when determining how much a company actually made in a year?
  - a. Answer location: Page 46, paragraphs 2-3.
  - b. Answer in brief: Revenue is the total amount a business sold in a period of time. It is also called “sales” or “sales revenue.” Profit is what is left of revenue after all the costs of the business are taken out.
  - c. Goal of the question: To help students see that revenue is not profit.
2. Discuss some of the types of costs a company like Exxon might have. After its costs, what percentage profit did Exxon make in the fourth quarter of 2019?
  - a. Answer location: Page 47, paragraphs 1-2.
  - b. Answer in brief: Exxon had the cost of the oil and gas it sold, the cost of its sales force, administrative costs, general business expenses, and loans. Its profit for the fourth quarter of 2019 was about 10%.
  - c. Goal of the question: To show the significant types of expenses businesses have and how those expenses reduce profit.
3. Explain why we wouldn't have an economy if we didn't allow companies and individuals to make a profit.
  - a. Answer location: Page 48, paragraph 3.
  - b. Answer in brief: Without profit, there would be no incentive to start a business, and each person and family would have to provide everything it needed on its own.
  - c. Goal of the question: To show the student that profit is not optional; it is required.
4. What are some of the benefits of profit mentioned in the chapter? Which seems most

important to you? Why?

- a. Answer location: Page 49, paragraph 3 through page 50, paragraph 2.
  - b. Answer in brief: Profit provides jobs with medical and retirement benefits for employees, provides taxes to pay for benefits to the poor and needy, and provides taxes used to pay social security and military retirement benefits.
  - c. Goal of the question: To help the student see the good that comes from profit.
5. Summarize why businesses won't stay open without profit.
- a. Answer location: Page 50, paragraph 3 through page 52, paragraph 5.
  - b. Answer in brief: Owners want the maximum return on their time and money investment, have other options for their time and money that may pay more, and don't want to work as hard and sacrifice as much as they do to start a business only to make very little or no profit.
  - c. Goal of the question: To allow the student to see the common sense reasons business owners require profit.
6. What does "opportunity cost" have to do with why business owners won't accept extremely low profits and keep their businesses open?
- a. Answer location: Page 51, paragraphs 1-6.
  - b. Answer in brief: Business owners must give up other benefits to start and run their businesses. What they give up is called "opportunity cost." Among other things, owners give up the salary they could have made at a regular job and the return they could have received from any savings they invested in their business. Therefore, owners require a return at least as great as these costs in order to keep their doors open.
  - c. Goal of the question: To help the student understand how business owners think about how much profit they need to stay in business.
7. What does the amount of work business owners have to put in, and the risk they take, have to do with their desire to make a profit?
- a. Answer location: Page 51, paragraph 7 through page 52, paragraph 5.
  - b. Answer in brief: Business owners work a lot of hours, endure a lot of stress, and take a lot of risk. No one wants to do all of that and make only a minimal return.
  - c. Goal of the question: To get the student to see why business owners deserve to make a profit given the amount of work and risk they take.
8. Where does James 4:12-16 fall on the idea of profit? Why would God not have a problem with profit?
- a. Answer location: Page 52, paragraph 6 through page 53, paragraph 2.
  - b. Answer in brief: God accepts that business owners will pursue profit. He has no problem with it because of the reasons already discussed in the chapter—it

provides jobs, benefits, etc.

- c. Goal of the question: To reveal to the student that profit is not evil in God's sight.
9. Discuss one of the factors that limit the amount of profit a company can earn in the U.S.
  - a. Answer location: Page 53, paragraph 3 through page 54, paragraph 2.
  - b. Answer in brief: As competitors enter a profitable market, prices and profits tend to decrease. Competition, therefore, limits the amount of profit a firm can earn
  - c. Goal of the question: To show the student that competitive markets like America tend to limit the profits companies can make.
10. Explain some of the things God is against in business. Is it good that he is against these things? Why or why not?
  - a. Answer location: Page 55, paragraph 4 through page 56, paragraph 2.
  - b. Answer in brief: God is against fraud and trickery of all kinds, lying and manipulating the truth, and evil products and services.
  - c. Goal of the question: To help the student see that, while God is not against profit, he is against many of the things businesses do to make that profit.