

Topic: Enterprise

- Enterprise **organises the other factors of production** into a production unit to produce a good/service.
 - It undertakes all the inherent risks in the hope of making a **profit**.
- Even if all the factors of production are available, production will not take place unless somebody sets about producing the goods for which demand exists or for which a demand can be created. This person is the **entrepreneur** who combines the factors into a unit.

Risks involved in any business activity

1. **Insurable risk** – risks which are possible to insure against
 - Theft of stock or cash
 - Fire to premises / damage to stock caused by fire
 - Accidents caused by members of staff
2. **Uninsurable risk** – risks against which it is not possible to insure, e.g., will it be a hot, dry summer or a cold, wet one, and to what extent will it affect the sale of summer clothes?
 - Loss of profit
 - Bad decision-making

Economic Characteristics of Enterprise

Enterprise is **unique** in three ways

Characteristic	Explanation
The reward is residual	<ul style="list-style-type: none"> • It is what is left from revenue when all expenses have been paid. The reward to the other factors is contractual.
Entrepreneurs Face Profit and Loss	<ul style="list-style-type: none"> • Entrepreneurs are motivated by profit but may suffer a loss • This does not arise with any other factor, e.g., capital is not loaned out for negative rates of interest.
Profit fluctuates	<ul style="list-style-type: none"> • Profit tends to fluctuate more than other returns to factors of production (rent, wages, interest)

The importance of the Entrepreneur to (Irish) economy

- Creates employment
- Innovation / new products
- Encourages further investment / Enterprise culture
- Revenue for the government
- Improve Balance of Payments
- Creates wealth

Methods Government Could Encourage Entrepreneurship

Methods	Explanations
Enterprise education	<ul style="list-style-type: none"> • The Enterprise Ireland "Student Enterprise Programme" encourages young people to explore entrepreneurship through school projects, offering mentoring and awards for the best student-run businesses.
Taxation policies	<ul style="list-style-type: none"> • The Startup Refunds for Entrepreneurs (SURE) scheme allows entrepreneurs to claim a tax refund on investments in their new business.
Deregulation	<ul style="list-style-type: none"> • If the government reduced the regulations involved in setting up a business or removed administrative obstacles, then more people might become entrepreneurs.
Develop infrastructure	<ul style="list-style-type: none"> • Improving broadband access supports business startups. <ul style="list-style-type: none"> ◦ E.g., The National Broadband Plan provides high-speed internet to rural areas.
Improve competitiveness	<ul style="list-style-type: none"> • The Competitive Enterprise Environment initiative, led by Enterprise Ireland, aims to support small businesses with access to resources, helping improve efficiency and reduce operating costs in industries like insurance and energy.
Government Support	<ul style="list-style-type: none"> • Government programmes can provide financial assistance to startups. <ul style="list-style-type: none"> ◦ E.g., the Microenterprise Loan Fund Scheme offers loans up to €25,000 for new businesses.

Do all entrepreneurs earn the same profit?

- No, it depends on **ability**; some entrepreneurs are better than others. Or some may operate in less competitive markets and are able to charge a higher price.
- The entrepreneur cannot be replaced easily by another because of talent. If the entrepreneur works in a more competitive industry, he/she may earn lower profits than an entrepreneur in a less competitive industry.
- **Rent of Ability:** An entrepreneur who invents a much-sought-after commodity may command a high income, e.g., Bill Gates and the invention of the 'Windows' operating system.

Importance of PROFITS

1. Profit encourages risk-taking
2. Profit encourages investment
3. Profit provides funds for expansion
4. Profits reward innovation
5. Profits are sources of revenue for the government

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Ireland ranks eighth as most entrepreneurial nation in the world.

- (a) (i) Outline **two** reasons why entrepreneurship is important for the Irish economy, other than creating employment.

1.
2.

- (ii) Outline **one** action the Irish Government could take to encourage entrepreneurship.
