6.1 External influences on business activity

Name: ____________ Class: ________ Date: __________ **Total: 29 marks**

KEY WORDS social 社会 • environmental 环境 • business cycle 经济周期 • interest rate 利率 • exchange rate 汇率

Objective

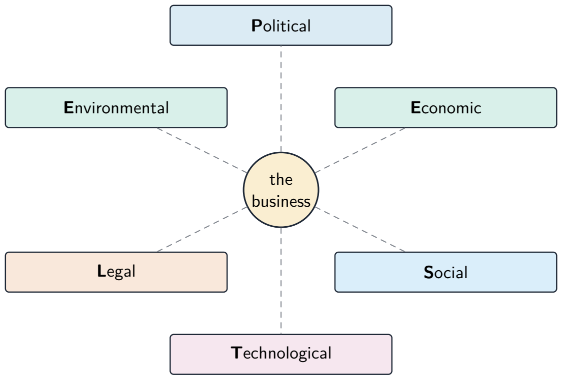
Build the skills to answer exam questions on **external influences** 外部影响 — the **business cycle** 经济周期, **interest rates** 利率, **exchange rates** 汇率, **inflation** 通货膨胀, taxation, and the wider **PESTLE** 宏观环境 forces.

You must be able to:

- describe the stages of the business cycle and the effect of interest rates
- explain how a change in the exchange rate affects exporters and importers
- analyse and evaluate how a business should respond to external change

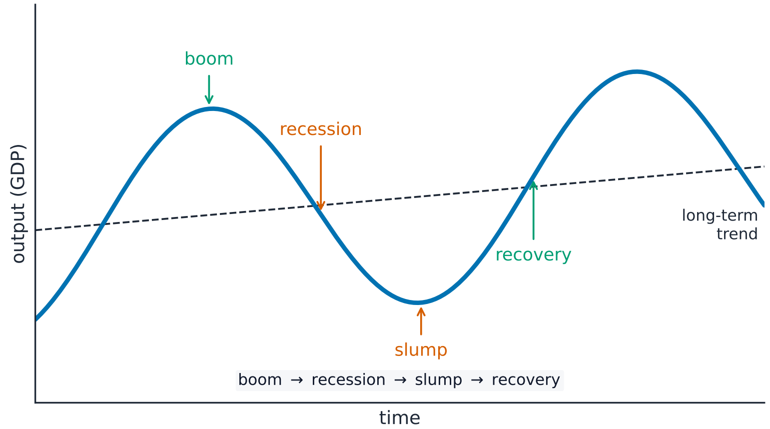
1 Worked examples

The economic environment



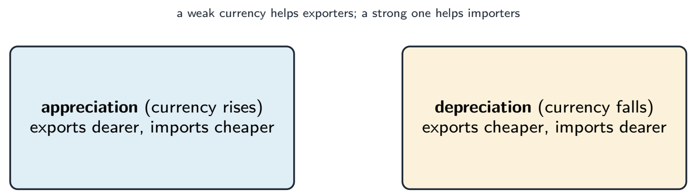
PESTLE: Political, Economic, Social, Technological, Legal, Environmental

- **Business cycle:** boom → recession → slump → recovery.



The business cycle: boom → recession → slump → recovery

- **Interest rate up:** borrowing costs more → customers spend less, firms invest less.
- **Exchange rate:** *appreciation* (currency rises) → exports dearer, imports cheaper; *depreciation* → exports cheaper (good for an **exporter**), imports dearer.



How a rise or fall in the exchange rate changes exports and imports

Answer shapes: AO1 + AO2 + AO3 (reasoning chain) + AO4 (a supported judgement *in context*).

2 Practice

2.1 Define the term *inflation*. [2]

2.2 State the four stages of the business cycle. [2]

2.3 State one effect on a business of a rise in interest rates. [2]

3 Exam-style questions

3.1 Explain one effect on a business of a **recession**. [3]

3.2 A firm exports most of its goods. Analyse the impact on it of a **fall** (depreciation) in the local currency. [8]

3.3 Interest rates have risen sharply. Evaluate how a business with large loans should respond. [12]