1. During a recession, most businesses experience:

   ☐ rising demand

   ☐ higher profits

   ☐ labour shortages

   ☐ falling demand and lower sales

2. Pollution from a factory that harms the local community is an example of:

   ☐ a fixed cost

   ☐ value added

   ☐ an external cost

   ☐ an internal benefit

3. Globalisation refers to:

   ☐ the growing connection of the world's economies

   ☐ a type of tax

   ☐ a single country's economy

   ☐ a fall in world trade

4. Inflation is most likely to:

   ☐ lower a firm's costs and raise its profit

   ☐ have no effect on costs or spending

   ☐ raise real incomes and customers' spending

   ☐ raise a firm's costs and reduce customers' spending power

5. Sustainable business activity means meeting today's needs:

   ☐ by ignoring the environment

   ☐ without harming future generations

   ☐ at the lowest possible price

   ☐ only through exports

6. Free trade tends to raise prices and reduce choice for consumers.

   ☐ True ☐ False

exercises.lol exercises.com.cn

☐ True ☐ False

8. Which are examples of ethical business behaviour? (Select all that apply.)

   ☐ avoiding child labour

   ☐ sourcing responsibly

   ☐ paying workers fairly

   ☐ dumping waste illegally

   Tick every correct option.

9. A company that operates in many countries is called a _____ company.

   _____

10. The phase of the business cycle with falling output and rising unemployment is a _____.

    _____

1. **falling demand and lower sales**

   A recession cuts demand and sales.

2. **an external cost**

   External costs fall on society, not just the business.

3. **the growing connection of the world's economies**

   Globalisation links economies through trade, investment and technology.

4. **raise a firm's costs and reduce customers' spending power**

   Inflation pushes up costs and erodes spending power.

5. **without harming future generations**

   Sustainability protects the ability of the future to meet its needs.

6. **False**

   False. Removing trade barriers increases competition from imports, which tends to lower prices and widen choice.

7. **False**

   False. Higher interest rates make borrowing dearer and saving more attractive, so consumer spending and borrowing tend to fall.

8. **avoiding child labour; sourcing responsibly; paying workers fairly**

   Dumping waste illegally is unethical (and illegal).

9. **multinational**

   MNCs span many countries.

10. **recession**

    A recession is the downturn phase.

exercises.lol exercises.com.cn