IGCSE BUSINESS STUDIES • EXERCISE SHEET

6.1 Economic issues

Name: ____________ Class: ________ Date: __________ **Total: 20 marks**

KEY WORDS recession 衰退 • business cycle 经济周期 • inflation 通货膨胀 • boom 繁荣 • growth 增长

Objective

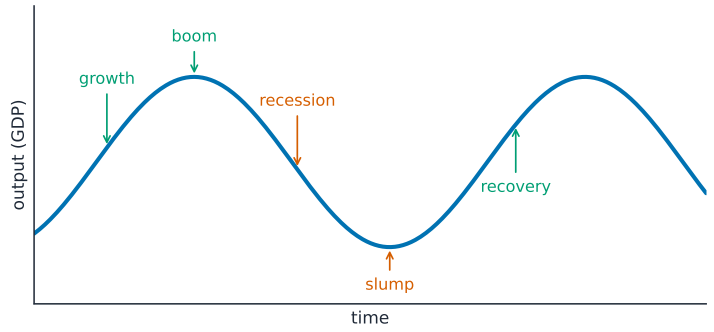
Build the skills to answer exam questions on **economic issues 经济问题** — the **business cycle 经济周期**, and how **taxation, interest rates, inflation, unemployment and exchange rates 税收、利率、通货膨胀、失业、汇率** affect business.

You must be able to:

- describe the stages of the business cycle
- explain how each economic factor affects a business
- analyse how a business should respond to economic change

1 Worked examples

■ The business cycle and economic factors



growth → boom → recession → slump → recovery

External influences are outside the business's control

- **Cycle: growth 增长 → boom 繁荣 → recession 衰退 → slump 萧条 → recovery 复苏.**
- **Higher taxes** → less spending, lower profit. **Higher interest rates** → dearer loans, less investment and spending.
- **Inflation 通货膨胀** → higher costs. **High unemployment** → lower sales but easier hiring.

Answer shapes: K + App + An + Ev (a justified judgement, for "do you think" questions).

2 Practice

2.1 State the five stages of the business cycle. [2]

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

2.3 Define the term *inflation*. [2]

3 Exam-style questions

3.1 Identify two ways a business might respond to a recession. [2]

3.2 Explain two effects on a business of a rise in interest rates. [6]

3.3 Do you think a recession is always bad for every business? Justify your answer. [6]

Solutions

IGCSE Business answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 growth, boom, recession, slump, recovery (2 for all five; 1 for a partial list).

2.2 any one developed effect: loans become dearer so firms invest less; customers borrow and spend less, so sales fall (2 for a developed effect; 1 for a basic one).

2.3 a general, sustained rise in prices (2 for a clear definition; 1 for a partial idea).

3.1 any two of: cut costs; lower prices; sell cheaper products; reduce staff (1 + 1).

3.2 *[6]* For **each** of two effects: K 1 + An up to 2 — e.g. *dearer borrowing*: a firm with loans pays more interest → lower profit, and it may delay buying new machines. *Lower customer spending*: customers' loans cost more → they spend less → the firm's sales fall. Maximum 3 each.

3.3 *[6]* Both sides + judgement. **Bad for most:** lower spending means falling sales and profit, and some firms close. **Not always:** sellers of cheap, essential goods (e.g. budget supermarkets) may gain as customers switch to them. **Judgement (Ev):** a recession harms most businesses, but those selling cheap necessities can do well — so it depends on what the business sells.