IGCSE BUSINESS STUDIES • EXERCISE SHEET

6.3 Business and the international economy

Name: ____________ Class: ________ Date: __________ **Total: 19 marks**

KEY WORDS multinational 跨国公司 • tariffs 关税 • globalisation 全球化 • exchange rates 汇率 • import 进口

Objective

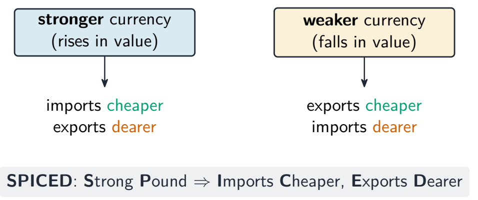
Build the skills to answer exam questions on **business and the international economy** 企业与国际经济 — **globalisation** 全球化, **multinational companies** 跨国公司, and how **exchange rates** 汇率 affect trade.

You must be able to:

- define globalisation and explain why it has grown
- describe the benefits and drawbacks of multinationals
- explain how a change in the exchange rate affects importers and exporters

1 Worked examples

Exchange rates and trade



SPICED: Strong Pound → Imports Cheaper, Exports Dearer

- **Globalisation** 全球化: growing trade and movement of goods, money and people — grown from cheaper transport, the internet, fewer **tariffs** 关税.
- **Multinational** 跨国公司: makes/sells in more than one country — brings jobs and investment, but profits may leave and local firms may be forced out.
- **Stronger currency** → exports dearer, imports cheaper. **Weaker currency** → exports cheaper, imports dearer.

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

2 Practice

2.1 Define the term *globalisation*. [2]

2.2 Define the term *multinational company*. [2]

2.3 State the effect of a **weaker** currency on the price of exports. [1]

3 Exam-style questions

3.1 Identify two benefits to a country of a multinational company locating there. [2]

3.2 Explain two drawbacks to a country of a multinational company locating there. [6]

3.3 A country's currency has become stronger. Do you think this is good for a business that exports most of its goods? 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 the growing trade and movement of goods, money and people between countries, so the world acts more like one market (2 for a clear definition; 1 for a partial idea).

2.2 a company that makes or sells its products in more than one country (2 for a clear definition; 1 for a partial idea).

2.3 exports become cheaper (to foreign buyers) (1).

3.1 any two of: new jobs and training; investment and technology; more choice and lower prices; more tax (1 + 1).

3.2 *[6]* For **each** of two drawbacks: K 1 + An up to 2 — e.g. *profits leave*: the multinational sends profits back to its home country → less money stays in the local economy. *Local firms forced out*: a large, cheap multinational → small local firms cannot compete and close. Maximum 3 each.

3.3 *[6]* Both sides + judgement. **Bad for an exporter:** a stronger currency makes its exports dearer for foreign buyers → they buy less → sales and profit fall. **Some good:** any imported materials become cheaper, lowering costs. **Judgement (Ev):** a stronger currency is mostly bad for an exporter because its main sales abroad fall, though cheaper imported inputs help a little — so overall it depends on how much the firm relies on exports versus imported materials.