Solutions

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

Each answer shows the steps, then the **result**.

2.1

- **growth, boom, recession, slump, recovery** (K)

2.2

- loans become dearer so firms **invest less** / customers spend less so **sales fall** (K)

2.3

- **inflation** is a **general, sustained rise in prices** (K)

3.1

- any **two** of: cut costs / lower prices / sell cheaper products / reduce staff (K, K)

3.2

- for **each** of two effects: K + An, max 3 each
- e.g. **dearer borrowing**: more interest → lower profit; delay new machines
- e.g. **lower customer spending**: loans cost more → they spend less → sales fall

3.3

- **bad for most**: falling sales and profit; some firms close
- **not always**: sellers of cheap essentials (budget shops) may gain
- **judgement (Ev)**: harms most businesses; cheap necessities can do well — it depends on what the firm sells