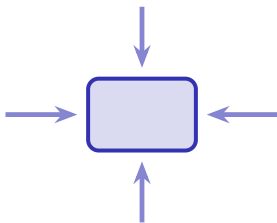


External Influences on Business

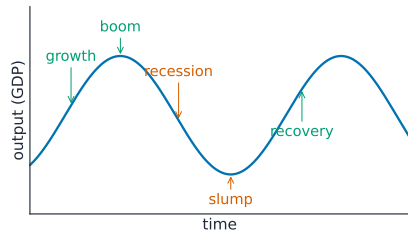
IGCSE Business Studies ■ Topic 6

IGCSE Business Studies



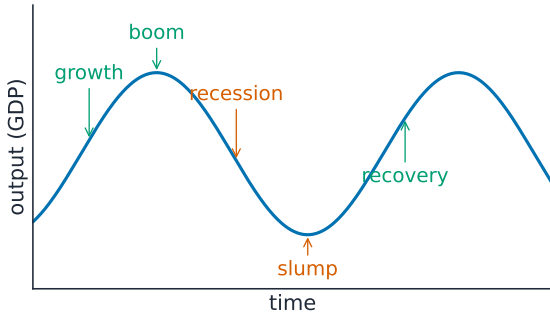
What we will cover

- 1 The business cycle
- 2 Economic factors
- 3 Exchange rates
- 4 External costs & benefits
- 5 Globalisation & sustainability



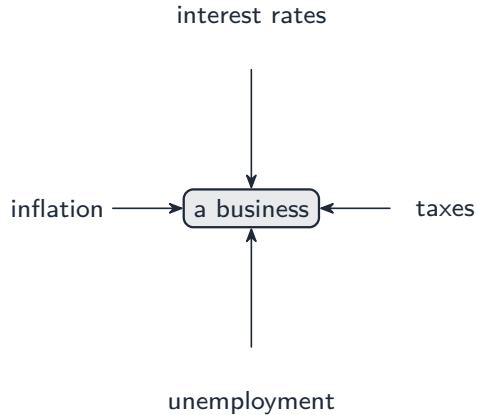
the business cycle

The business cycle



environmental

Economic factors



external parliament

Exchange rates

stronger
currency
(rises in value)

imports **cheaper**
exports **dearer**

weaker
currency
(falls in value)

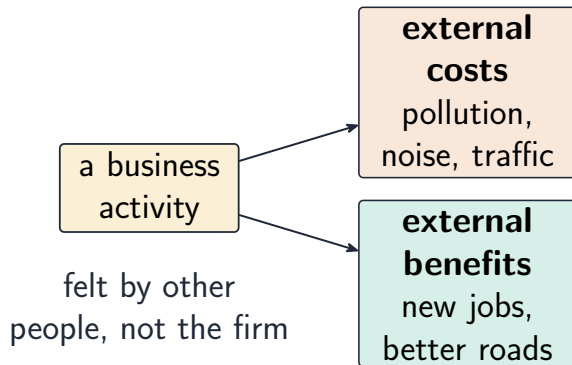
exports **cheaper**
imports **dearer**

SPICED: Strong Pound $\Rightarrow$ Imports Cheaper, Exports Dearer

The **exchange rate** 汇率 is the price of one currency in another.

A **stronger** currency makes **imports** 进口 cheaper but **exports** 出口 dearer; a weaker one does the reverse.

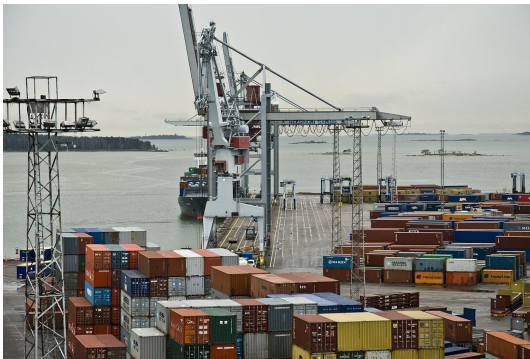
External costs and benefits



Business activity affects others:

- **external costs** 外部成本 – **pollution** 污染, noise, traffic
- **external benefits** 外部收益 – new jobs, better roads

Globalisation and sustainability



Globalisation 全球化 lets businesses trade worldwide (more markets, more competition).

Sustainable development 可持续发展 meets today's needs without harming the future.

Worked example – rising interest rates

Interest rates rise. Explain two effects on a firm that sells furniture on credit.

- Customers' borrowing is **dearer** $\Rightarrow$ fewer buy on credit $\Rightarrow$ **sales fall**.
- Furniture is a **luxury** that can be postponed, so the fall is large.
- The firm's own **loan repayments** rise $\Rightarrow$ costs up, profit down.
- It may **delay expansion**, since projects must now beat a **higher return**.

Interest rates hit **demand** and **costs** at once. The damage is worst for firms selling **credit-bought luxuries** – exactly like furniture or cars.

Topic 6 – key takeaways

1

Cycle

growth, boom, recession, slump,
recovery

2

Economy

tax, interest rates, inflation,
unemployment

3

Exchange

strong currency: cheap imports,
dear exports

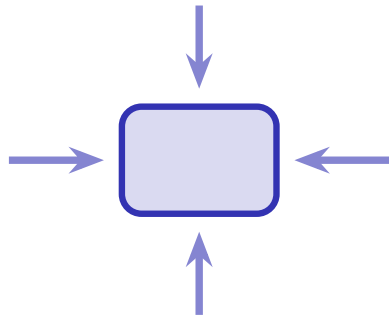
4

Society

external costs (pollution) &
benefits (jobs)

Check yourself

- 1 What happens to jobs in a slump?
- 2 What does a higher interest rate do to borrowing?
- 3 Give one external cost of business activity.
- 4 What does globalisation let businesses do?



Answers 1. unemployment rises 2. makes it dearer (less borrowing) 3. e.g. pollution
4. trade worldwide