

Knockout.Economics by Kru P'Eve & Kru P'Da

IGCSE -Business studies

The business cycle



- Executive summary IGCSE Business studies
- Series of exam questions each chapter
- Exam Strategies and exclusive tips to achieve A* from Knockout.Economics
- Exclusive Key Terms for IGCSE Business studies exam



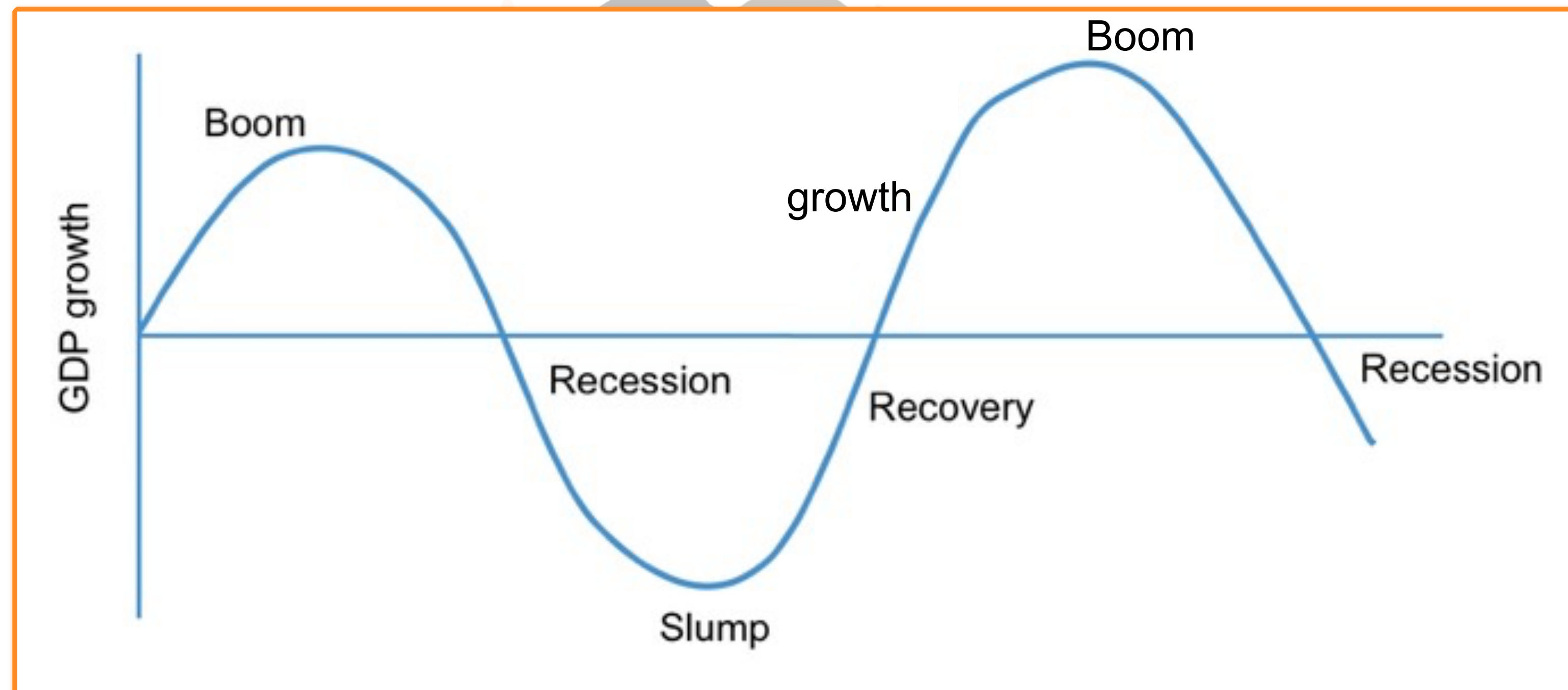
Overviews

1. The business cycle



2. The business cycle

The business cycle or trade cycle : shows four stages including growth, boom, recession, and slump.



Reference: tcsbusiness.weebly.com

2. The business cycle

Stages	1. Growth	2. Boom
Characteristics	<ul style="list-style-type: none">• GDP is rising.• Unemployment is falling.• Businesses get high profit.	<ul style="list-style-type: none">• GDP is rising at fast rate.• Spending is rising too high.• Unemployment is low and there is shortage of labour.• Price is rising.
Stages	3. Recession	4. Slump
Characteristics	<ul style="list-style-type: none">• GDP is falling.• Spending is too little.• Unemployment is high.• Businesses face a fall in revenue and profit.	<ul style="list-style-type: none">• There is a long recession or a fall in GDP for long time.• Unemployment is very high.• Price may fall.• Many businesses fail in this period

Knockout Economics



Line :@ Knockout.Economics



FB Page : Knockout.Economics



IG : Knockout.Economics



Youtube : Knockout.Economics

Knockout.Economics by Kru P'Eve & Kru P'Da

IGCSE -Business studies

Government economic objectives 🔍

- Executive summary IGCSE Business studies
- Series of exam questions each chapter
- Exam Strategies and exclusive tips to achieve A* from Knockout.Economics
- Exclusive Key Terms for IGCSE Business studies exam



Overviews

1. Government economic objectives



1. Government economic objectives

1. High Economic growth

➔ Government wants to increase the national income and output.

2. Low unemployment

➔ Government tries to reduce unemployment.

Government Economic Objectives

3. Price Stability

➔ Government tries to maintain price of goods and services.

4. Balance of Payment stability

➔ Government wants the value of exports equal to imports.

1. Government economic objectives

	1. High Economic growth	2. Low unemployment	3. Price Stability	4. Balance of Payment stability
Definition	<p>Economic growth: a rise in the national income or GDP.</p>	<p>Unemployment: when people who are willing and able to work cannot find a job.</p>	<p>Inflation: the increase in the average price level of goods and services over time.</p>	<p>Government wants the value of exports equal to imports. BOP: records difference between a country's export and import.</p>
Reasons for	<ol style="list-style-type: none"> To improve <i>living standards</i> by increasing outputs To increase <i>employment</i> To increase <i>tax revenue</i> To increase <i>firms' profit</i> 	<ol style="list-style-type: none"> To ensure <i>income and employment</i> for people To get <i>tax revenue</i> To reduce government spending on <i>unemployed benefits</i> 	<ol style="list-style-type: none"> To encourage <i>business expansion</i> To ensure <i>export competitiveness</i> 	<ol style="list-style-type: none"> If import > export => <i>money outflow</i>, country may get into debt If export > import => <i>products are not enough</i> for inhabitants

Knockout Economics



Line :@ Knockout.Economics



FB Page : Knockout.Economics



IG : Knockout.Economics



Youtube : Knockout.Economics

Knockout.Economics by Kru P'Eve & Kru P'Da

IGCSE -Business studies

Government policy

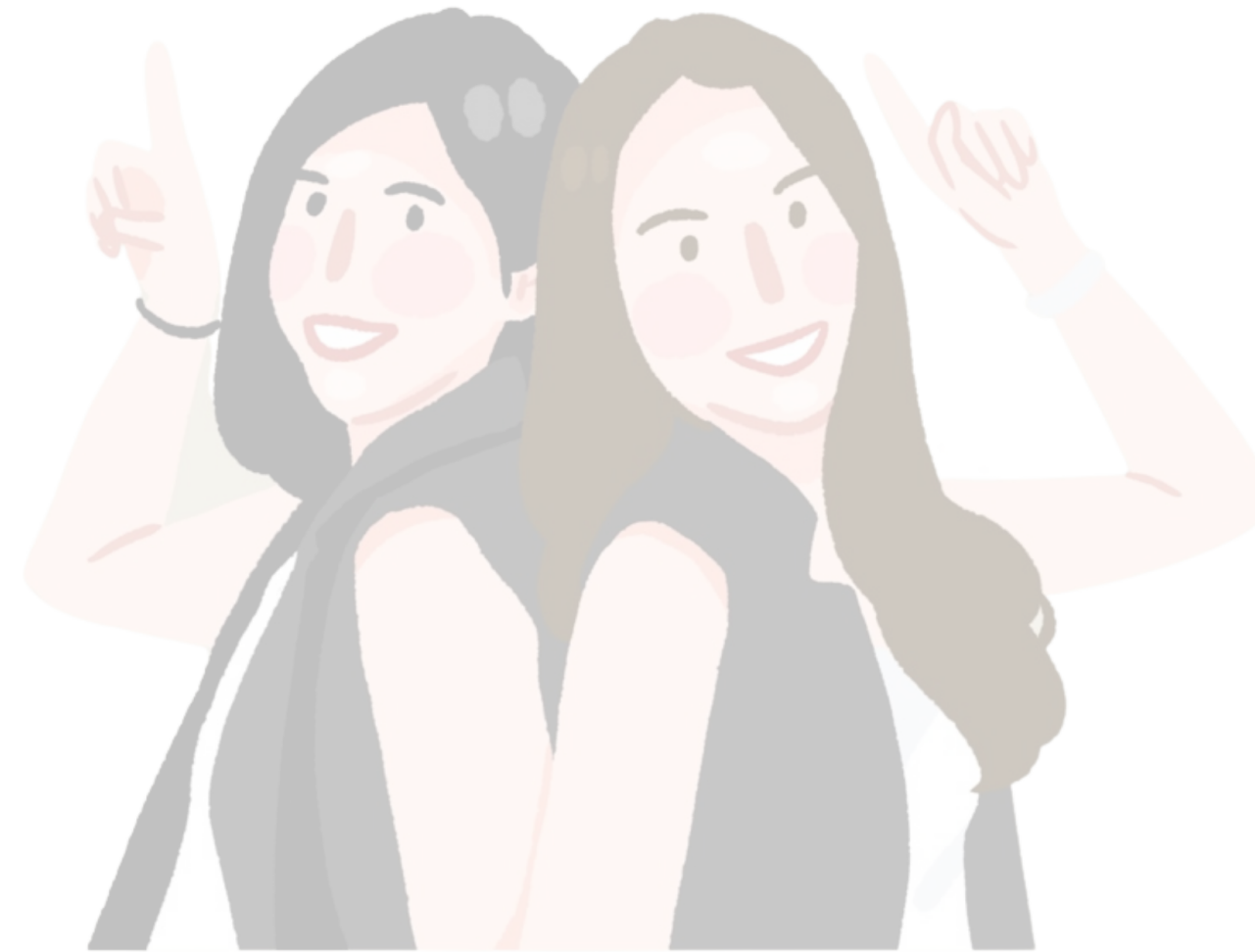


- Executive summary IGCSE Business studies
- Series of exam questions each chapter
- Exam Strategies and exclusive tips to achieve A* from Knockout.Economics
- Exclusive Key Terms for IGCSE Business studies exam

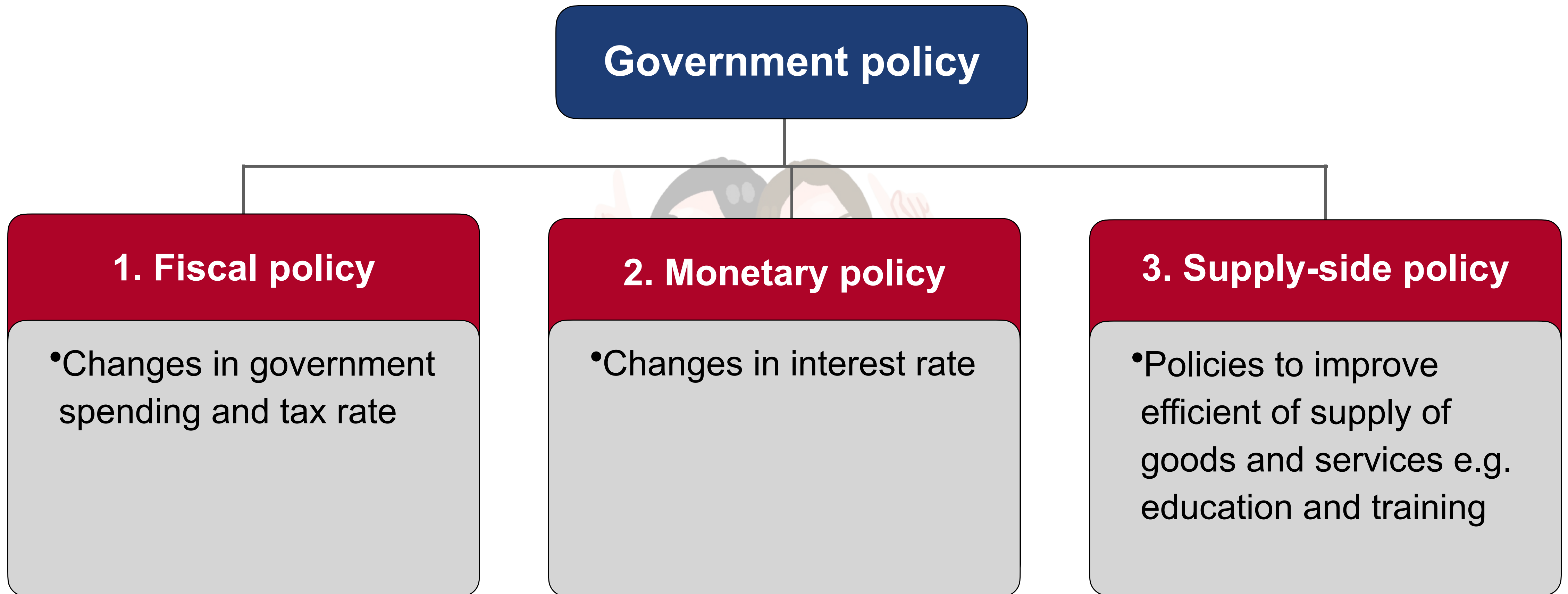


Overviews

1. Government policy
2. Fiscal policy
3. Monetary policy
4. Supply side policy



1. Government policy



2. Fiscal policy

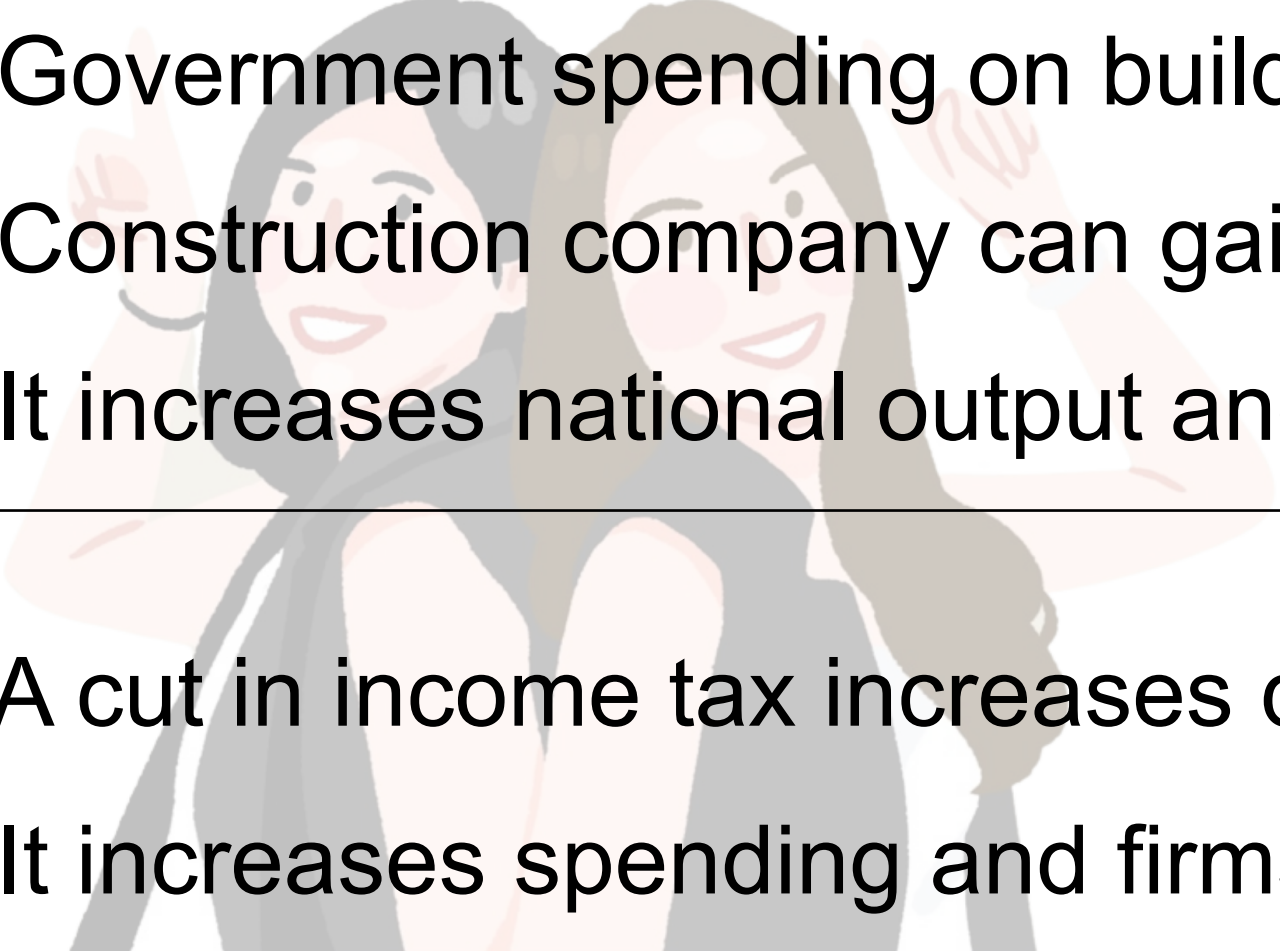
Fiscal policy: by changing government spending and tax

Fiscal policy instruments

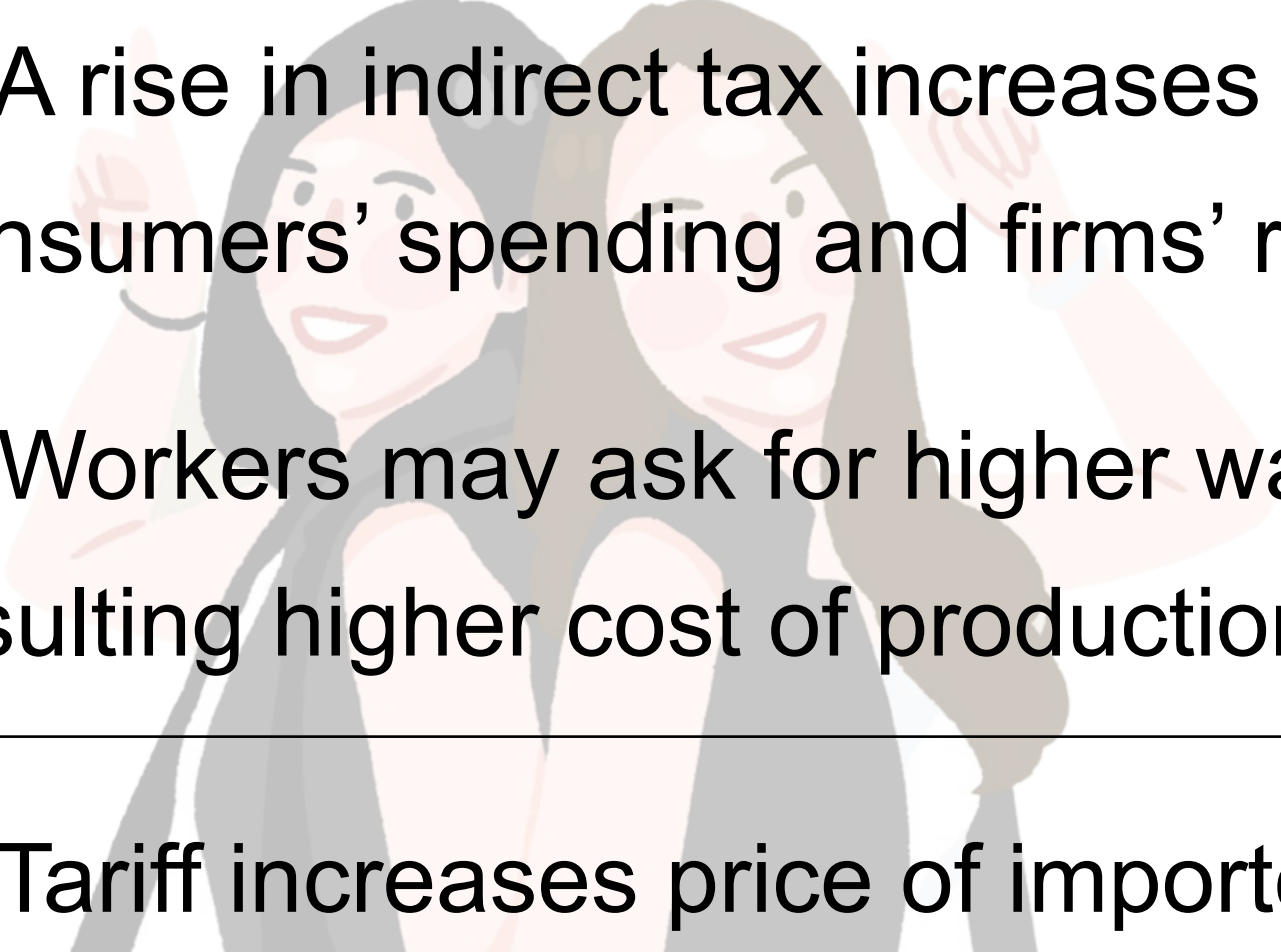
- **Government spending**
- **Income tax**: tax on people's income which the tax mainly falls on high income earners.
- **Profit tax/corporate tax**: tax on profit of businesses
- **Indirect tax**: tax on spending e.g. VAT(Value added tax)
- **Import tariff**: tax on imported products



2. Fiscal policy

Fiscal Policy Instruments	Effects on Businesses
1. Increasing government spending	 <ul style="list-style-type: none">⇒ Government spending on building road creates jobs.⇒ Construction company can gain profit.⇒ It increases national output and employment.
2. Cutting income tax	<ul style="list-style-type: none">⇒ A cut in income tax increases disposable income for consumers.⇒ It increases spending and firms' revenue.
3. Cutting profit tax	<ul style="list-style-type: none">⇒ A cut in profit tax increases a firm's profit.⇒ Firms have more ability to invest and expand businesses.⇒ They have higher profit and share prices increase.

2. Fiscal policy

Fiscal Policy Instruments	Effects on Businesses
4. Rising indirect tax Such as Vat7%	 <p>⇒ A rise in indirect tax increases price of products. It reduces consumers' spending and firms' revenue.</p> <p>⇒ Workers may ask for higher wage as they face higher cost of living, resulting higher cost of production and lower profit to firms.</p>
5. Increasing tariff	<p>⇒ Tariff increases price of imported goods.</p> <p>⇒ Consumers switch to consume domestic goods rather than imports.</p> <p>⇒ Domestic firms can gain higher revenue and it increases domestic employment.</p>

3. Monetary policy

Monetary policy: by changing interest rate

Effects of higher interest rate

1. ***Firms may face high interest expense on loan:***

⇒ It reduces firms' profit.

2. ***Managers are discouraged to invest or expand the production:***

⇒ It is because the cost of borrow increases.

3. ***Consumers may have high interest expense on loan:***

⇒ It reduces consumers' spending and firms may have lower revenue.

3. Monetary policy

Effects of higher interest rate

4. *Consumers increase saving due to higher return and they reduce spending:*

⇒ It reduces firms' profit.

5. *Higher interest rate may cause currency appreciation:*

⇒ When interest rate in the country is higher than those in other countries.

⇒ Foreigners would like to deposit money in the country

⇒ They demand for the country's currency

⇒ It results in a rise in exchange rate or currency appreciation

⇒ **Currency appreciation** makes price of exports become more expensive in foreigners'

view and price of imports become cheaper in domestic's view.

4. Supply side policy

Supply-side policy: try to improve efficient of supply goods and services

Supply-side policy instruments	Effects on Businesses
1. Education and training	<p>⇒ It improves skills of workers.</p> <p>⇒ Workers can generate more outputs to firms.</p>
2. Privatisation	<p>⇒ Government transfers a business ownership and control to private.</p> <p>⇒ As private firms have a profit motive, they have incentive to improve efficiency.</p>
3. Increasing competition in all industries	<p>⇒ By reducing business regulation which allows small firms to enter the market.</p> <p>⇒ By preventing firms to be monopoly(only one seller).</p>

Knockout Economics



Line :@ Knockout.Economics



FB Page : Knockout.Economics



IG : Knockout.Economics



Youtube : Knockout.Economics

Knockout.Economics by Kru P'Eve & Kru P'Da

IGCSE -Business studies

How businesses might react to changes in economic policy

- Executive summary IGCSE Business studies
- Series of exam questions each chapter
- Exam Strategies and exclusive tips to achieve A* from Knockout.Economics
- Exclusive Key Terms for IGCSE Business studies exam



Overviews

1. How businesses might react to changes in economic policy



1. Government policy

Government policy change	Possible business decision	Problems with this decision
1. Increasing income tax -reducing consumers' spending	<ul style="list-style-type: none"> - Reducing price of products to increase demand - Producing cheaper products or inferior goods 	<ul style="list-style-type: none"> - Firms may gain lower profit from selling low price products. - It may damage brand image from selling cheap version.
2. Increasing tariff (tax on imports) -increasing price of imports	<ul style="list-style-type: none"> - Mainly selling products in domestic market - Switching from buying imported materials to domestic ones. 	<ul style="list-style-type: none"> - Firms may make higher profits from exporting goods. - Domestic materials may have lower quality than imported ones.
3. Increasing interest rate -increasing cost of borrowing	<ul style="list-style-type: none"> - Delaying investment projects - Selling assets for cash to repay existing loans 	<ul style="list-style-type: none"> - Firms lost opportunity to expand businesses. - Firms may need assets for business expansion

Knockout Economics



Line :@ Knockout.Economics



FB Page : Knockout.Economics



IG : Knockout.Economics



Youtube : Knockout.Economics

Knockout.Economics by Kru P'Eve & Kru P'Da

IGCSE -Business studies

Exercise: Government economic objectives and Policies 🔍

- Executive summary IGCSE Business studies
- Series of exam questions each chapter
- Exam Strategies and exclusive tips to achieve A* from Knockout.Economics
- Exclusive Key Terms for IGCSE Business studies exam



Exercise

1. Sunny is a public limited company which provides hotel services in Thailand. The company has to adapt its business activities during Covid19 pandemic. The sales revenue has fallen significantly and the economy turns to economic recession.

(a) Identify **two** features of an economic recession. [2]

Feature1:.....

.....

Feature2:.....

.....

Exercise

1. Sunny is a public limited company which provides hotel services in Thailand. The company has to adapt its business activities during Covid19 pandemic. The sales revenue has fallen significantly and the economy turns to economic recession.

(a) Identify **two** features of an economic recession. [2]

- *GDP is falling.*
- *Spending is too little.*
- *Unemployment is high.*
- *Businesses face a fall in revenue and profit.*



Exercise

1. Sunny is a public limited company which provides hotel services in Thailand. The company has to adapt its business activities during Covid19 pandemic. The sales revenue has fallen significantly and the economy turns to economic recession.

(b) How does increasing inflation and increasing unemployment affect Sunny's profit? [4]

Increasing inflation:.....
.....
..... [2]

Increasing unemployment:.....
.....
..... [2]

Exercise

1. Sunny is a public limited company which provides hotel services in Thailand. The company has to adapt its business activities during Covid19 pandemic. The sales revenue has fallen significantly and the economy turns to economic recession.

(b) How does increasing inflation and increasing unemployment affect Sunny's profit? [4]

Increasing inflation:

Increasing cost of production

Pressure for wage to be rised

Increasing unemployment:

Reducing sales revenue

Lower wage to the business



Knockout Economics



Line :@ Knockout.Economics



FB Page : Knockout.Economics



IG : Knockout.Economics



Youtube : Knockout.Economics