

Section 1 – Word search quiz

How well do you know key terms?

Match the definitions in the left hand column with the correct term in the right hand column and then find the term in the word search on the following page.

- | | |
|--|----------------------|
| 1 A good or service which is essential for living. | a mixed |
| 2 Machinery is an example of this factor of production. | b innovative |
| 3 This is an example of a natural resource. | c social |
| 4 Entrepreneurs have these. | d fail |
| 5 This term is used to describe when there are not enough goods and services to meet consumer wants. | e SMART |
| 6 This type of consumer good can be used over and over again. | f market share |
| 7 Business activity in this sector takes natural resources and converts them into finished goods. | g growth |
| 8 This describes economies which have both a private and public sector. | h owner |
| 9 A characteristic of successful entrepreneurs. | i scarcity |
| 10 Governments might provide these to support business start-ups. | j capital |
| 11 One method of measuring the size of a business. | k employees |
| 12 A new business should have one of these. | l ideas |
| 13 All objectives should be this. | m joint |
| 14 This might be a business objective. | n secondary |
| 15 This might be a benefit of the answer to clue 11. | o wood |
| 16 Poor cash-flow management might be a reason why this happens to some businesses. | p durable |
| 17 Sole traders have only one of these. | q need |
| 18 Sometimes two or more businesses might work together on this type of venture. | r economies of scale |
| 19 This is a group of internal business stakeholders. | s grants |
| 20 This type of enterprise reinvests all of its profit or uses it to benefit the local community. | t plan |

S	E	C	O	N	D	A	R	Y	H	V	E
E	C	O	N	O	M	I	E	S	J	M	E
R	P	A	O	F	D	O	N	G	P	L	E
A	O	W	N	E	R	T	X	L	B	V	C
H	H	F	A	E	N	D	O	A	I	S	L
S	T	S	K	I	E	Y	R	T	C	C	L
T	W	I	O	X	E	U	A	A	E	A	T
E	O	J	I	E	D	V	L	F	T	R	N
K	R	M	S	N	O	E	U	I	A	C	K
R	G	R	A	N	T	S	P	M	R	I	O
A	R	L	N	T	L	A	S	K	O	T	L
M	P	I	S	O	C	I	A	L	S	Y	E

Section 1 – Key terms answers

1 q

2 j

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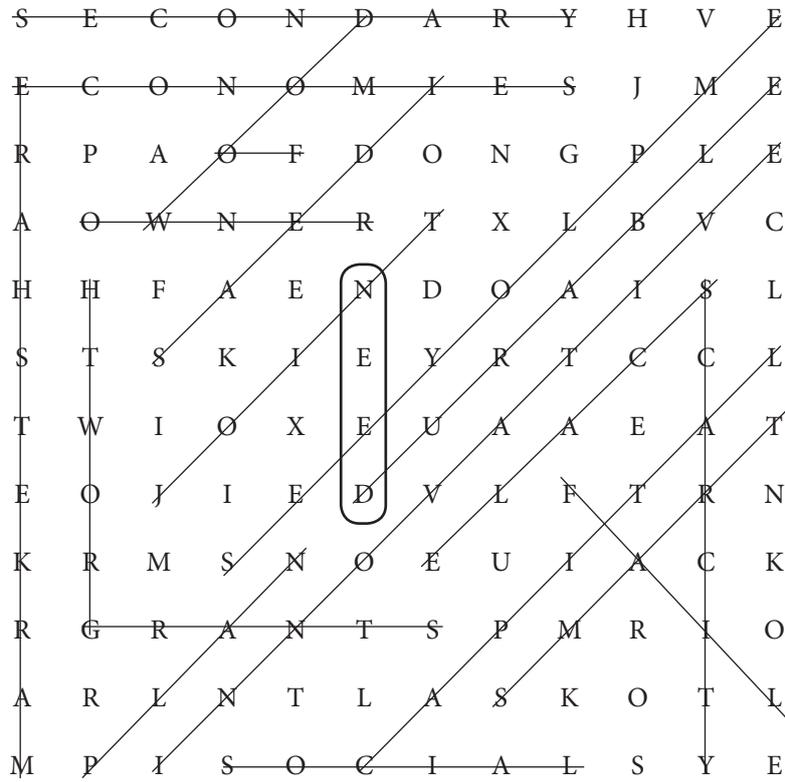
17 h

18 m

19 k

20 c

Section 1 – Word search quiz answers



Section 1 – Multiple choice

- 1 The purpose of business activity is:
 - A to increase sales
 - B to produce products to satisfy customer needs
 - C to reward shareholders
 - D to provide employment.

- 2 Which of the following is **not** a consumer need?
 - A Water
 - B Housing
 - C Clothing
 - D Holidays

- 3 One of the benefits of specialisation is:
 - A increased sales
 - B increased output
 - C increased variety of tasks for workers
 - D increased costs of production.

- 4 Added value is:
 - A the difference between revenue and total costs
 - B the difference between output and sales
 - C the difference between costs of raw materials and selling price
 - D the difference between making a profit or making a loss.

- 5 Which of the following is **not** an example of primary sector business activity?
 - A Forestry
 - B Fishing
 - C Oil refining
 - D Mining for gold

- 6 Tertiary sector business activity is:
 - A providing services to consumers only
 - B turning raw materials into finished goods
 - C the extraction of natural resources
 - D providing services to consumers and businesses.

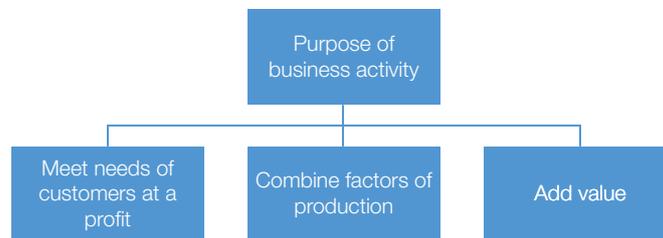
- 7 Developing economies will usually have:
- A a small primary sector
 - B a large tertiary sector
 - C a large primary sector
 - D no secondary sector.
- 8 Which of the following is **not** a private sector form of organisation?
- A Sole trader
 - B Public limited company
 - C Franchise
 - D Public corporation
- 9 The best description of an entrepreneur is someone who:
- A starts a business and always earns a lot of money
 - B has an idea for a business and does not take risks
 - C starts a business and is prepared to take financial risks
 - D takes financial risks and always earns high profits.
- 10 A business plan might be used to:
- A mislead people into investing in a business
 - B show how much profit a business might make
 - C provide competitors with information about a business
 - D identify why a business is making losses.
- 11 Governments can support business start-ups by:
- A increasing taxes
 - B increasing regulations
 - C increasing grants
 - D increasing interest rates.
- 12 Which of the following is **not** a method for measuring business size?
- A Value of output
 - B Number of employees
 - C Capital employed
 - D Profit
- 13 Which statement best describes conglomerate integration?
- A A frozen food manufacturer buying a poultry farm.
 - B An ice-cream producer opening its own ice-cream shop.
 - C The merger of two taxi firms.
 - D The owners of an airline buying a music company.

- 14 Which statement is an example of forward vertical integration?
- A A frozen food manufacturer buying a poultry farm.
 - B An ice-cream producer opening its own ice-cream shop.
 - C The merger of two taxi firms.
 - D The owners of an airline buying a music company.
- 15 Which statement is an example of horizontal integration?
- A A frozen food manufacturer buying a poultry farm.
 - B An ice-cream producer opening their own ice-cream shop.
 - C The merger of two taxi firms.
 - D The owners of an airline buying a music company.
- 16 Which of the following might be a reason for a business remaining small?
- A The market is large and still growing.
 - B The owner of the business is very ambitious.
 - C Competition is low.
 - D The owner wants to keep control of the business.
- 17 Which of the following is most likely to lead to business failure?
- A There is a high demand from consumers for the product.
 - B The entrepreneur is very motivated.
 - C The economy goes into recession.
 - D The owner has good management skills.
- 18 Which of the following statements describes an unincorporated business?
- A A public sector organisation
 - B A public limited company
 - C A franchise set up as a private limited company
 - D A partnership
- 19 Which of the following is **not** an objective of a sole trader?
- A Profit
 - B Survival
 - C Limited liability
 - D Market share
- 20 Which of the following is **not** an external business stakeholder?
- A Government
 - B Employees
 - C Suppliers
 - D Customers

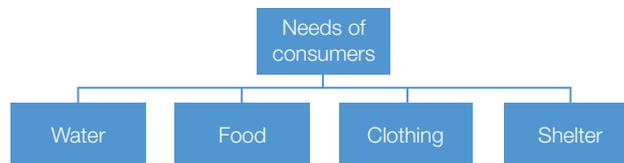
Section 1 – Mind maps

1 Business activity

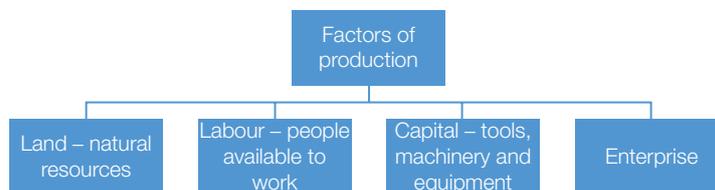
Purpose of business activity



Needs of consumers

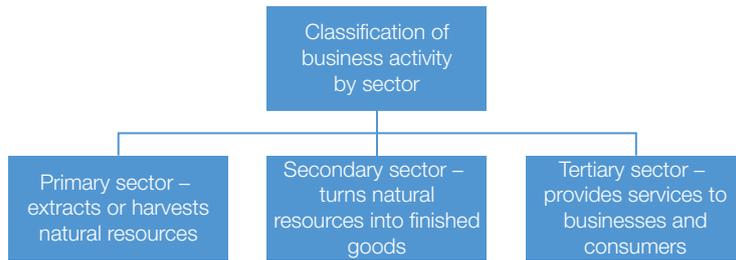


Factors of production

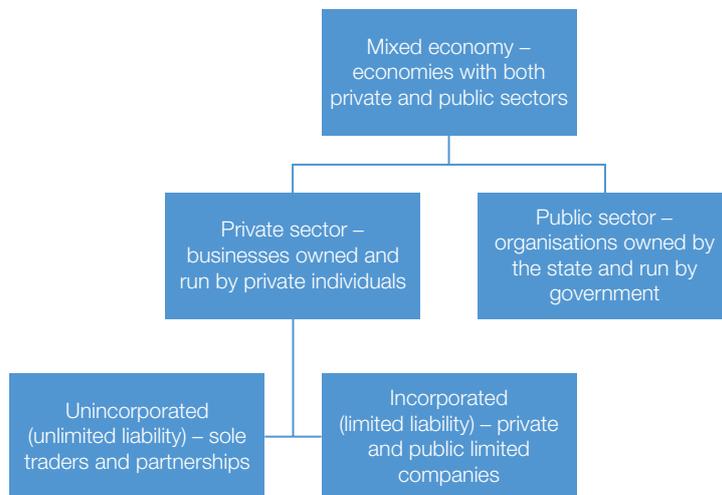


2 Classification of businesses

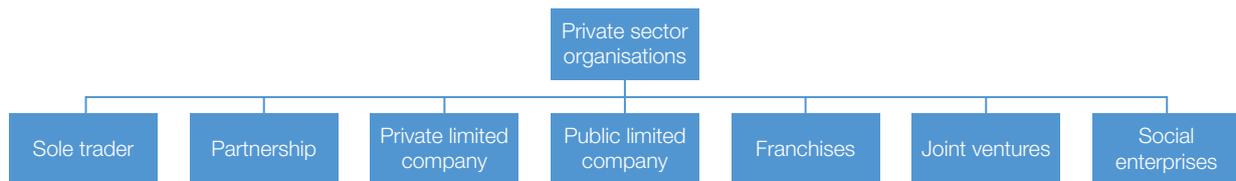
Business activities classified by sector



Businesses in a mixed economy

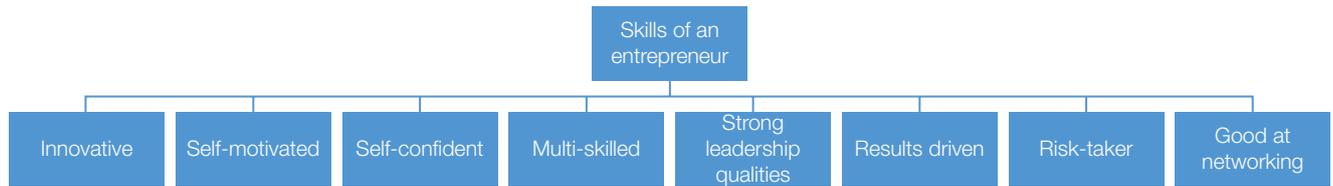


Private sector organisations

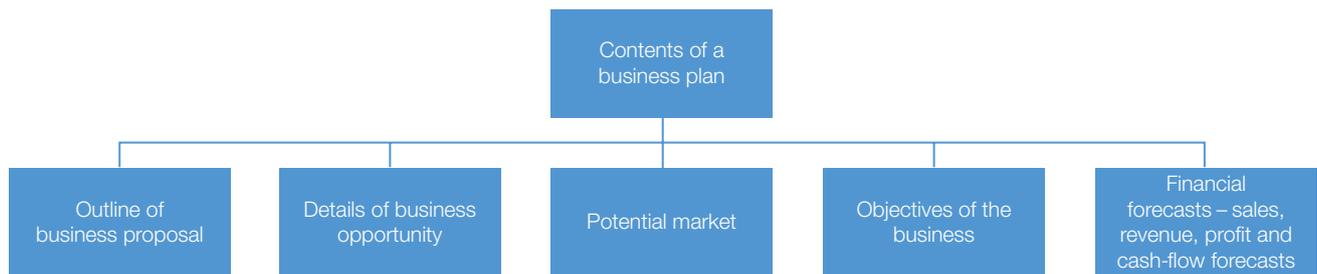


3 Enterprise, business growth and size

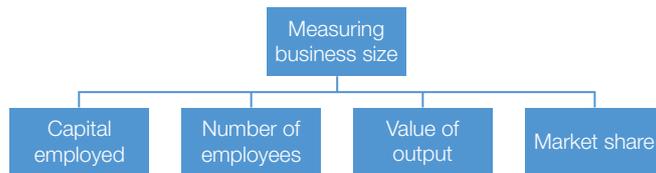
Characteristics of entrepreneurs



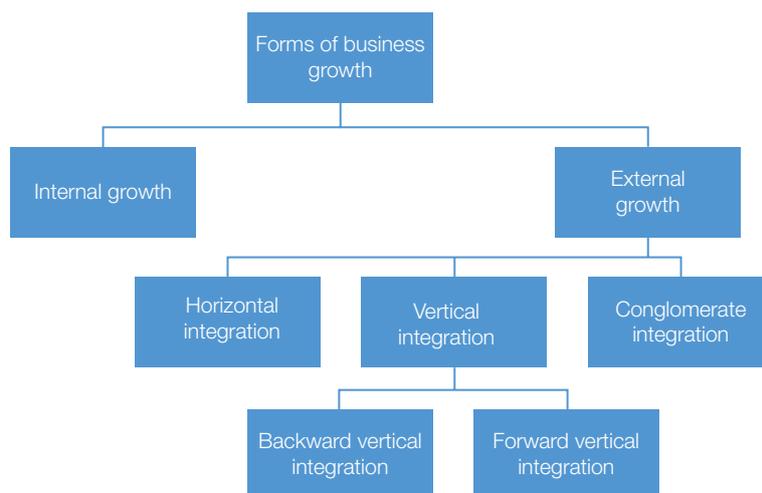
Contents of a business plan



Measuring business size

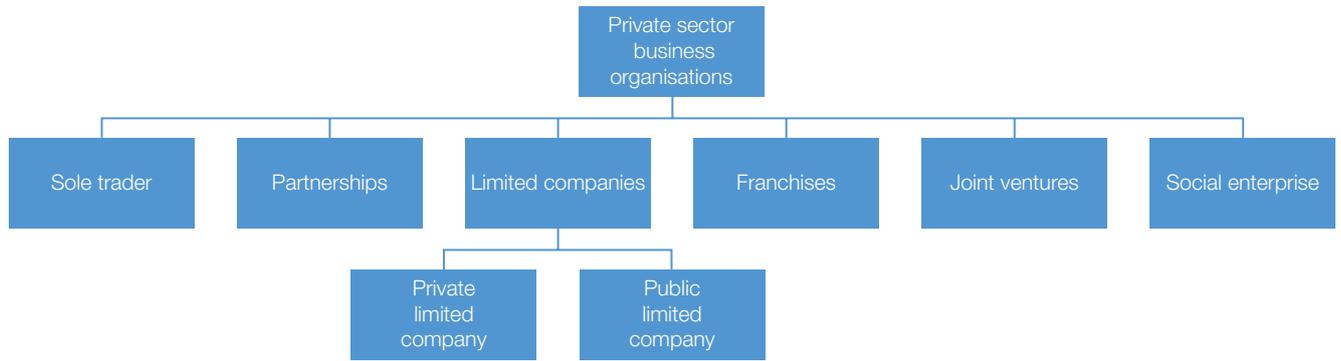


Ways businesses grow



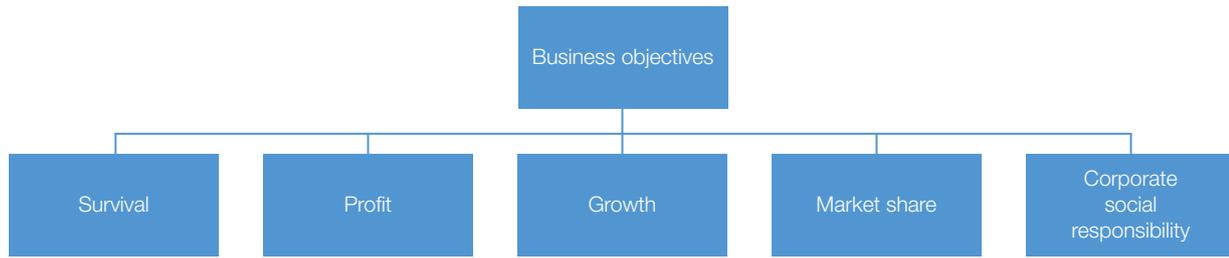
4 Types of business organisation

Business organisations in the private sector

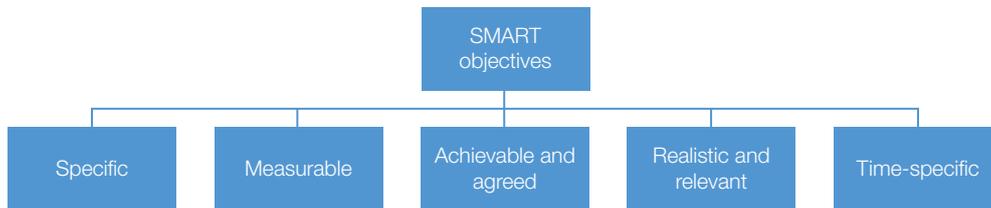


5 Business objectives and stakeholder objectives

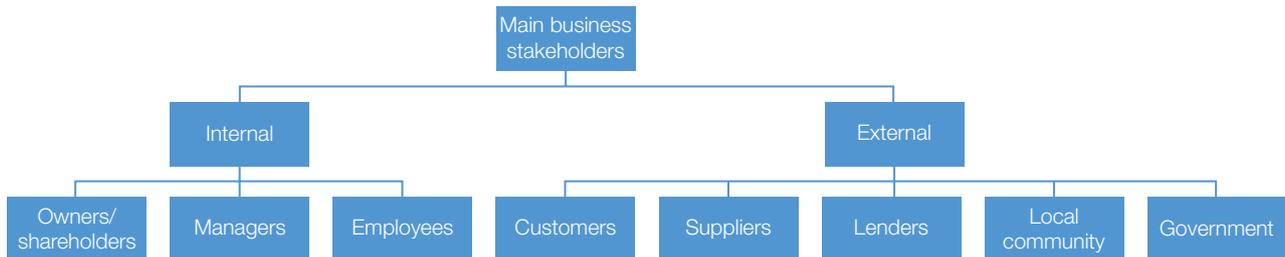
Business objectives



SMART objectives



Business stakeholders



Section 1 – Revision questions

Two-mark questions

- 1 What is meant by 'opportunity cost'?
- 2 Identify **two** advantages to a business of specialisation.
- 3 Identify **two** examples of capital goods.
- 4 What is meant by 'added value'?
- 5 Identify **two** differences between the private sector and public sector.
- 6 Identify **two** characteristics of an entrepreneur.
- 7 Identify **two** uses of a business plan.
- 8 Identify **two** reasons why owners might want to grow their business.
- 9 Identify **two** problems of business growth.
- 10 Identify **two** reasons why a business might remain small.
- 11 What is meant by 'unlimited liability'?
- 12 What is meant by 'joint venture'?
- 13 What is meant by 'public limited company'?
- 14 What is meant by 'joint venture'?
- 15 Identify **two** features of private sector organisations.
- 16 What is meant by 'SMART objectives'?
- 17 What is meant by 'business stakeholder'?
- 18 What is meant by 'social enterprise'?
- 19 What is meant by 'mixed economy'?
- 20 Identify **two** objectives of public sector organisations.

Four-mark questions

- 1 With the aid of examples explain the difference between a 'need' and a 'want'.
- 2 Identify and explain **two** factors of production.
- 3 Explain how a restaurant might achieve specialisation of labour.
- 4 Identify and explain **two** disadvantages of specialisation to workers.
- 5 Identify and explain **two** ways a business could increase value added.
- 6 With the aid of examples, explain the difference between primary sector and tertiary sector business activity.
- 7 Using oil as an example, explain the relationship between primary and secondary sector business activity.
- 8 Identify and explain **two** differences between unincorporated and limited liability businesses.
- 9 Identify and explain **two** features of a business plan.
- 10 Identify and explain **two** reasons why governments might support business start-ups.
- 11 Identify and explain **two** problems of measuring the size of a business.
- 12 Identify and explain **two** ways of achieving external growth.
- 13 Identify and explain **two** reasons why the owner of a business may not have growth as an objective.
- 14 Identify and explain **two** benefits to a sole trader of becoming a partnership.
- 15 Identify and explain **two** advantages of a franchise.
- 16 Identify and explain **two** disadvantages of a public limited company.
- 17 Identify and explain **two** advantages to businesses of forming a joint venture.
- 18 Identify and explain the importance of profit to any **two** business stakeholders.
- 19 Explain the main difference between the objectives of a social enterprise and other private sector businesses.
- 20 Identify and explain **two** differences between the objectives of private sector and public sector organisations.

Six-mark questions

- 1** Ben is a professional photographer. He has a studio where he takes photographs of individuals and family groups. Ben's business has been successful and he believes this is due to setting SMART objectives. Ben enjoys the benefits of being his own boss but as a sole trader he sometimes worries about the disadvantages of this form of business organisation. He is wondering if he should change his business into a private limited company.

 - a** How important are SMART objectives to the success of Ben's business? Justify your answer.
 - b** Identify and explain **two** benefits to Ben of being a sole trader.
 - c** Do you think Ben should become a private limited company? Justify your answer.

- 2** Outdoor Living is a private limited company owned by four members of the Mitchell family. They manufacture garden furniture such as tables and chairs. All of their products are made from wood. The younger members of the Mitchell family are keen to set growth as a business objective, but their father Andrew, the Chief Executive of Outdoor Living, is less keen to do so.

 - a** Identify and explain **two** ways Outdoor Living might increase the value added of its products.
 - b** Identify and explain **one** advantage and **one** disadvantage to the owners of Outdoor Living of being a private limited company.
 - c** Do you think the directors of Outdoor Living should set growth as an objective? Justify your answer.

Section 2 – Key terms

How well do you know key terms?

Look at the definitions below of ten key terms. Link the definition on the right with the correct term on the left.

- | | |
|--|---|
| <p>a Dismissal</p> <p>b Motivation</p> <p>c Shortlist</p> <p>d Performance related pay</p> <p>e Feedback</p> <p>f Chain of command</p> <p>g Job enrichment</p> <p>h Resignation</p> <p>i Organisational structure</p> <p>j Job description</p> | <p>1 The factors that influence the behaviour of workers towards achieving set business goals.</p> <p>2 A bonus scheme used to reward staff for performing above the required standard.</p> <p>3 Organising work so that workers are encouraged to use their full abilities.</p> <p>4 The formal, internal framework of a business that shows how it is managed and organised.</p> <p>5 The route through which authority is passed down through an organisation.</p> <p>6 A list of candidates who are chosen from all of the applicants to be interviewed for the job.</p> <p>7 A list of the key points about a job, job title, key duties, responsibility and accountability.</p> <p>8 Termination of employment by the worker, perhaps because they have found a job with a different employer.</p> <p>9 Termination of employment by the employer because the worker has broken company rules or is not performing work to the required standard.</p> <p>10 The receiver's response to a message.</p> |
|--|---|
-

Section 2 – Chain link puzzle

Solve the clues below and enter your answer in the grid provided.

Start with the answer to clue one in the top left of the grid. The last letter of the answer to clue one is the first letter of the answer to clue two and so on. For example, if the answer to a clue is 'financial', then the answer to the next clue begins with the letter l, for example 'legal'. You would write this in the grid as 'financialegal' - note the letter 'l' is only used once for both words.

Write your answers starting at the top left-hand side of the grid. Then go along the top row from left to right and then back along the second row from right to left – think of it as the shape of a snake! You have exactly the right number of squares for all of the answers. The first one has been done for you.

N	E	E	D	S							

- 1 Maslow’s Hierarchy of _____ . (5)
- 2 This is the third level of the above in Maslow’s hierarchy. (6)
- 3 Laissez-faire is one of the styles of _____. (10)
- 4 This is a function of management. (8)
- 5 This type of discrimination is illegal in most countries. (6)
- 6 A worker is made this when their job is no longer required. (9)
- 7 This is an organisation that negotiates with employers on behalf of its members. (5, 5)
- 8 A barrier to effective communication. (5)
- 9 A method of communication. (10)
- 10 Quality _____ are an example of non-financial motivation. (7)
- 11 The number of subordinates who report to a manager or supervisor. (4, 2, 7)
- 12 There are a number of these in a tall organisational structure. (6)

Section 2 – Key terms answers

- a 9
- b 1
- c 6
- d 2
- e 10
- f 5
- g 3
- h 8
- i 4
- j 7

Section 2 – Chain link puzzle answers

N	E	E	D	S	O	C	I	A	L	E	A
I	N	N	A	L	P	I	H	S	R	E	D
N	G	E	N	D	E	R	E	D	U	N	D
N	O	I	N	U	E	D	A	R	T	N	A
O	I	S	E	L	E	C	T	R	O	N	I
F	O	N	A	P	S	E	L	C	R	I	C
C	O	N	T	R	O	L	E	V	E	L	S

Section 2 – Multiple choice

- 1 Which of the following is **not** a need as identified by Maslow?
 - A Hygiene
 - B Esteem
 - C Self-actualisation
 - D Social

- 2 According to Taylor, which of the following is most likely to motivate a worker?
 - A Promotion
 - B Fringe benefits
 - C Bonus
 - D Team-working

- 3 Which of the following is a motivator according to Herzberg?
 - A Safe working environment
 - B Responsibility
 - C Good wage
 - D Company policy

- 4 Which of the following is **not** a benefit of having a well-motivated workforce?
 - A Improved productivity
 - B Low rate of absenteeism
 - C Low labour turnover
 - D Increased absenteeism

- 5 Which of the following is a financial method of motivation?
 - A Job rotation
 - B Delegation
 - C Fringe benefit
 - D Quality circles

- 6 Which of the following describes the number of levels in an organisational structure?
 - A Span of control
 - B Chain of command
 - C Hierarchy
 - D Delegation

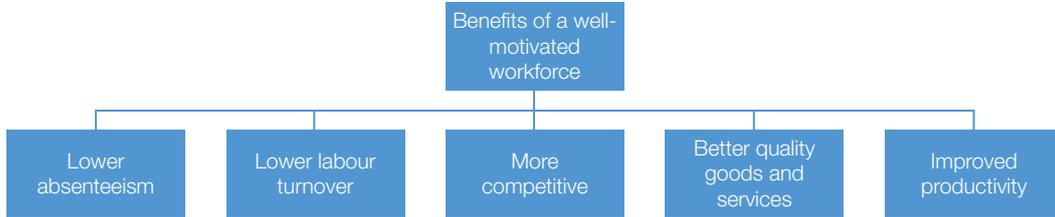
- 7 When authority is passed down the chain of command this is known as:
- A delegation
 - B span of control
 - C hierarchy
 - D centralisation.
- 8 Which of the following is **not** a role of management?
- A Planning
 - B Controlling
 - C Organising
 - D Creativity
- 9 Which of the following is a feature of an autocratic leadership style?
- A Communication is two-way.
 - B Workers are involved in decision-making.
 - C Communication is one-way.
 - D There is little input from the leader.
- 10 Negotiations between a trade union and employer are known as:
- A collective decision-making
 - B collective responsibility
 - C collective agreement
 - D collective bargaining.
- 11 An advantage of external recruitment is:
- A it is less costly than internal recruitment
 - B the best person is recruited
 - C there will be a wider choice of applicants
 - D it motivates existing workers.
- 12 The candidates selected for interview from all of the applicants are known as a:
- A person specification
 - B panel
 - C short-list
 - D job description.
- 13 Which of the following is a disadvantage of off-the-job training?
- A It is less expensive than other types of training.
 - B It improves workers' skills.
 - C It is more expensive than other types of training.
 - D It is only used to train managers.

- 14 The best description of 'redundancy' is:
- A a worker is dismissed for disciplinary reasons
 - B a worker is not motivated at work
 - C a worker must learn new skills
 - D a worker's job is no longer required.
- 15 Which of the following is **not** a legal control over the employment of workers?
- A Contract of employment
 - B Discrimination
 - C Maximum legal wage
 - D Health and safety
- 16 Effective communication requires:
- A speaking clearly
 - B written record
 - C feedback
 - D technology.
- 17 Which of the following is a method of visual communication?
- A Memorandum
 - B Charts
 - C Text messaging
 - D Email
- 18 An advantage of email is:
- A you do not have a record of the message
 - B it is slower than most other methods of communication
 - C you can send the same message to many people at the same time
 - D it is difficult to receive feedback.
- 19 Oral communication is less effective if:
- A the receiver sends feedback
 - B the message is short and simple
 - C the message contains complex information
 - D the sender speaks the same language as the receiver.
- 20 Which of the following is **not** a barrier to effective communication?
- A Noise
 - B Long channel of communication
 - C The receiver is demotivated
 - D There is trust and respect between sender and receiver

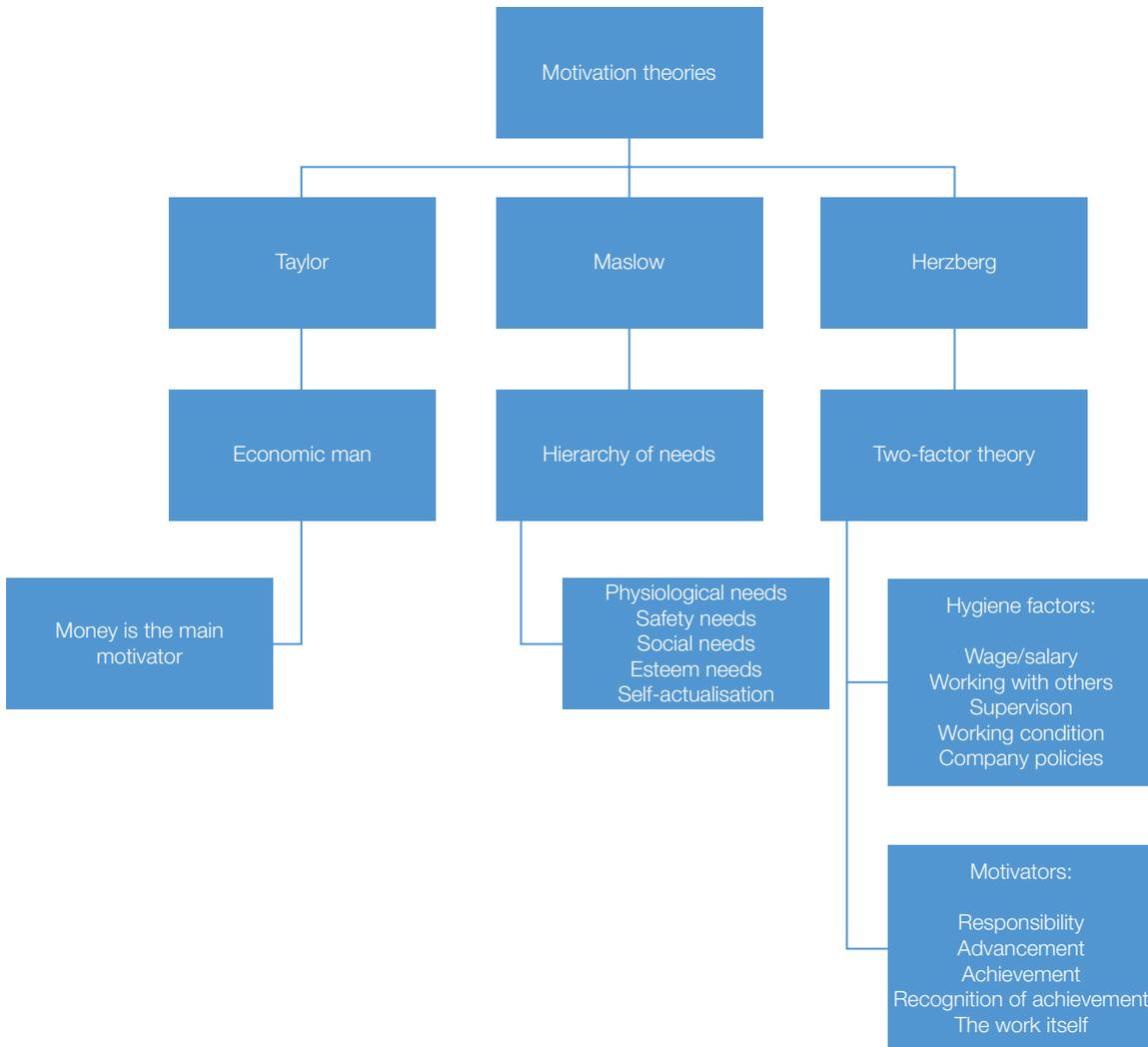
Section 2 – Mind maps

6 Motivating workers

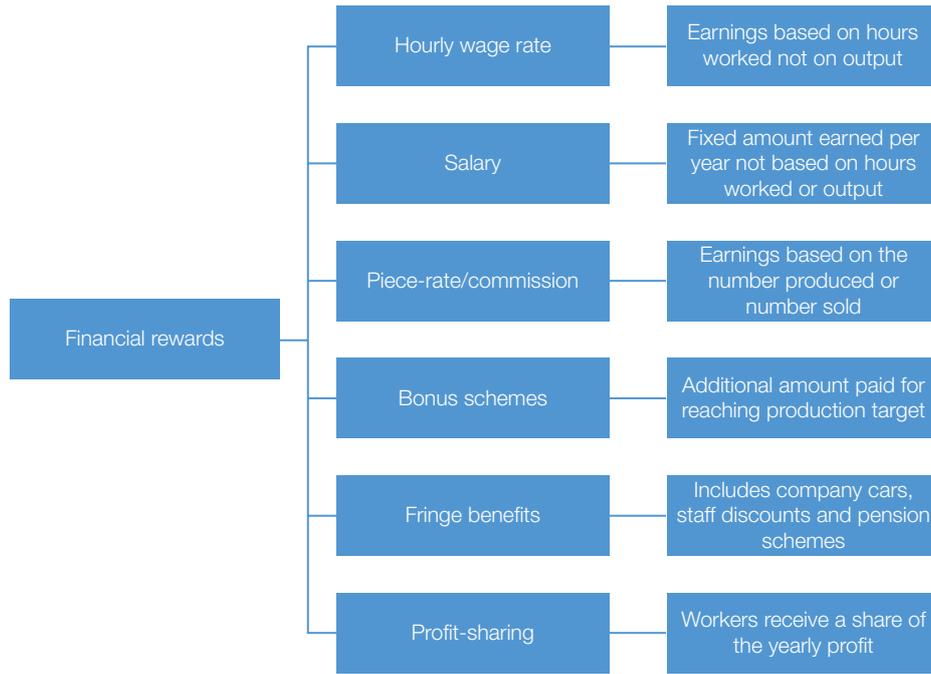
Benefits of a well-motivated workforce



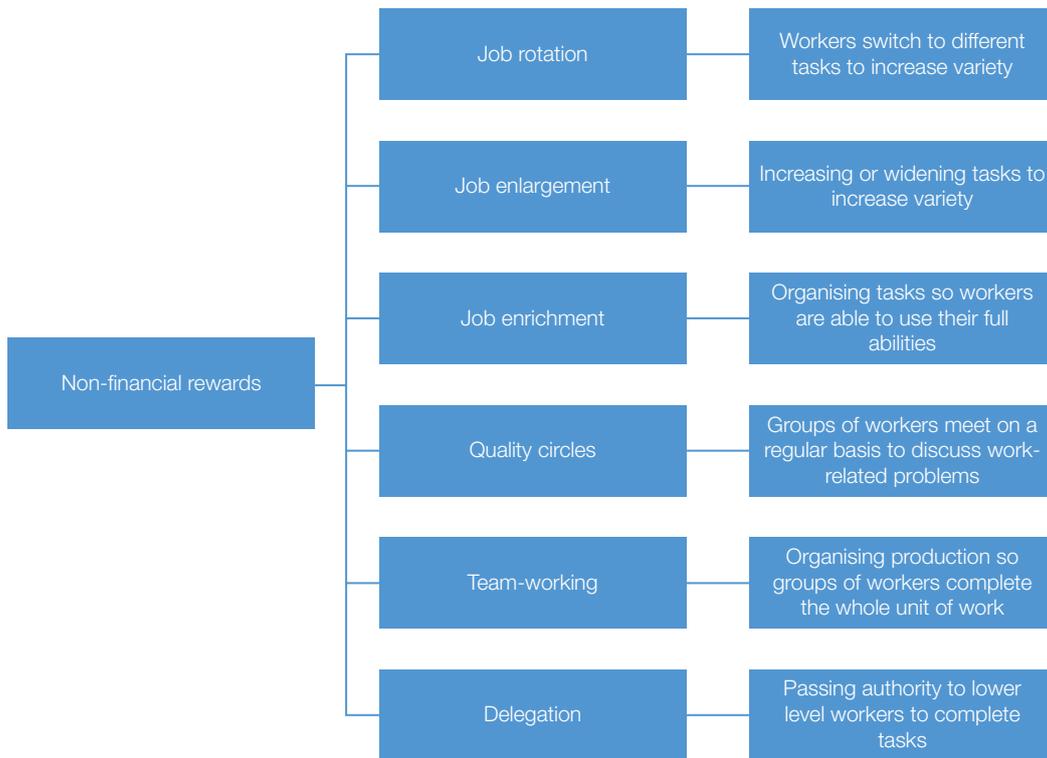
Key motivational theories



Methods of motivation – financial rewards

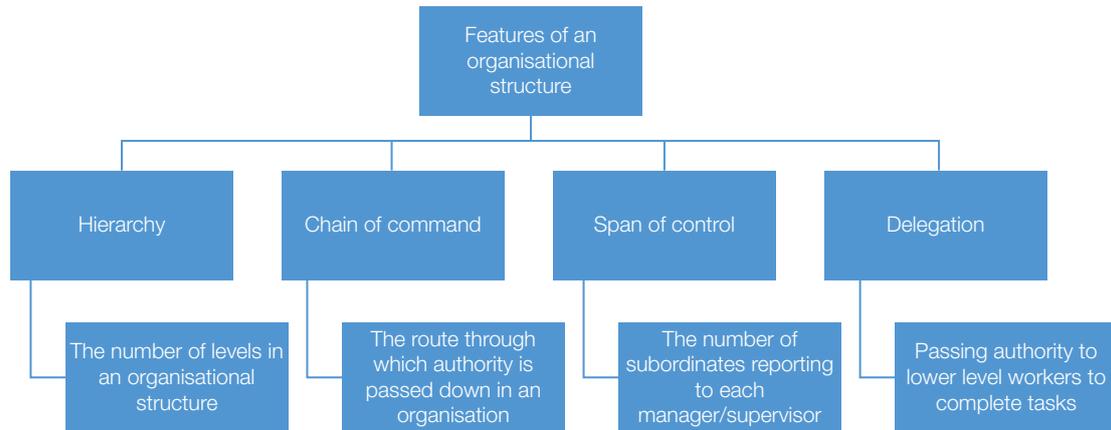


Methods of motivation – non-financial rewards

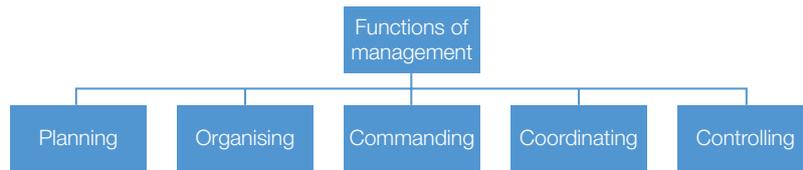


7 Organisation and management

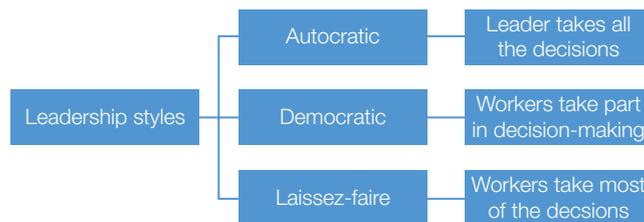
Features of an organisational structure



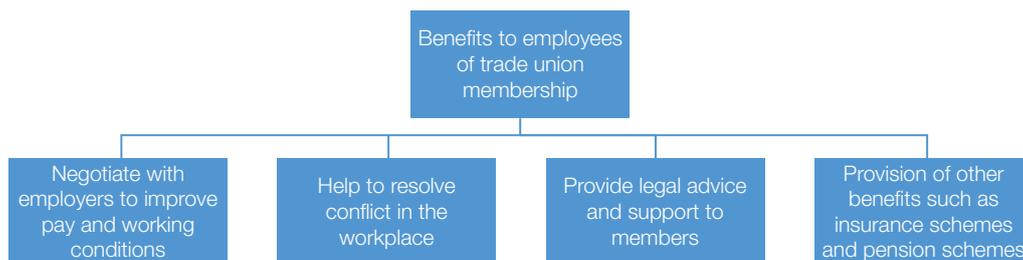
Main functions of management



Leadership styles

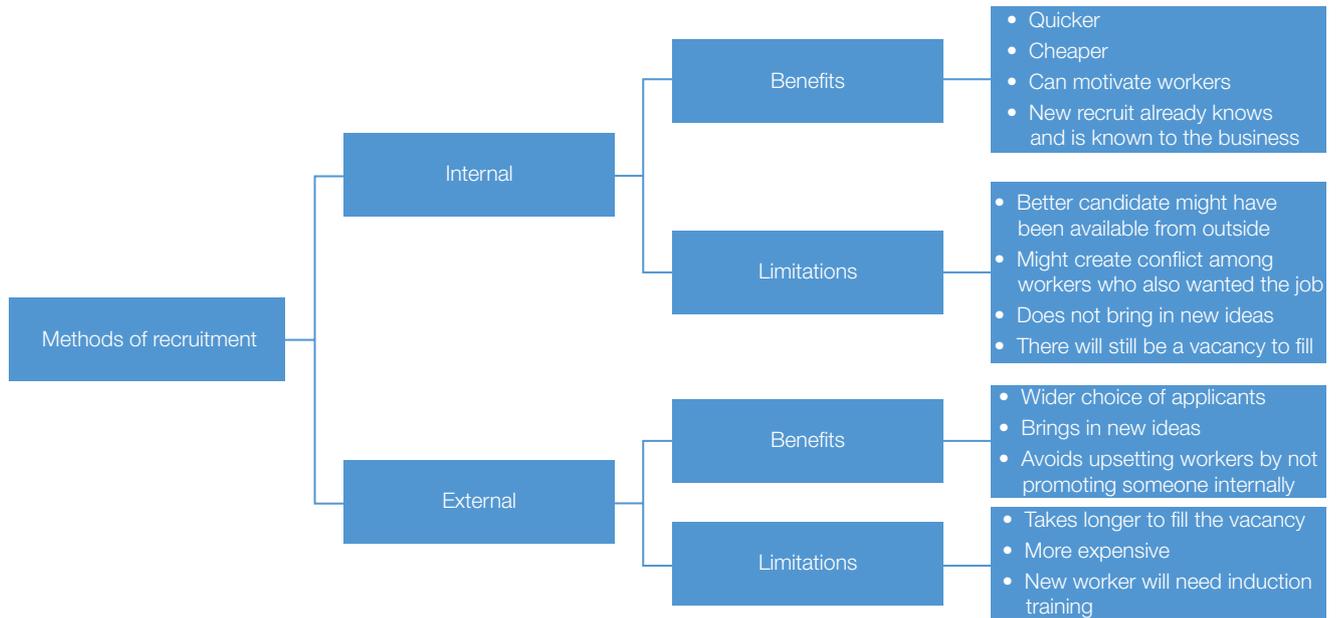


Benefits of being a trade union member

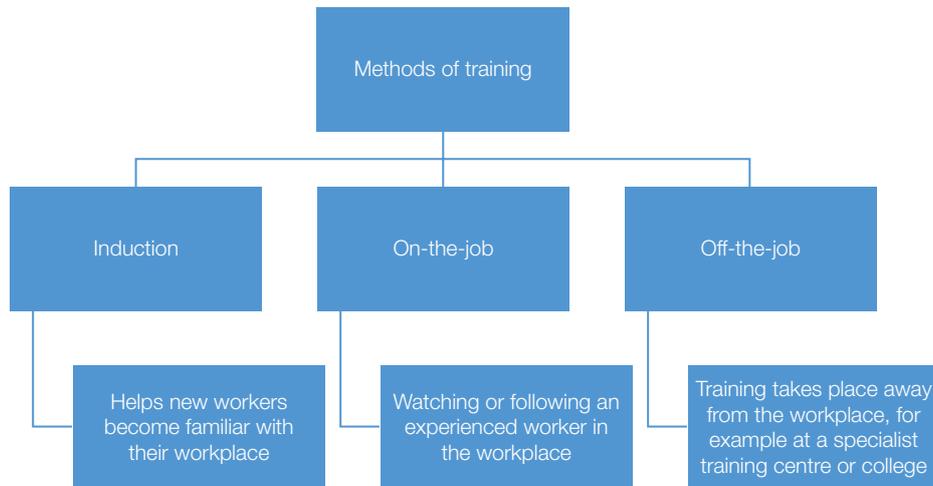


8 Recruitment, selection and training of workers

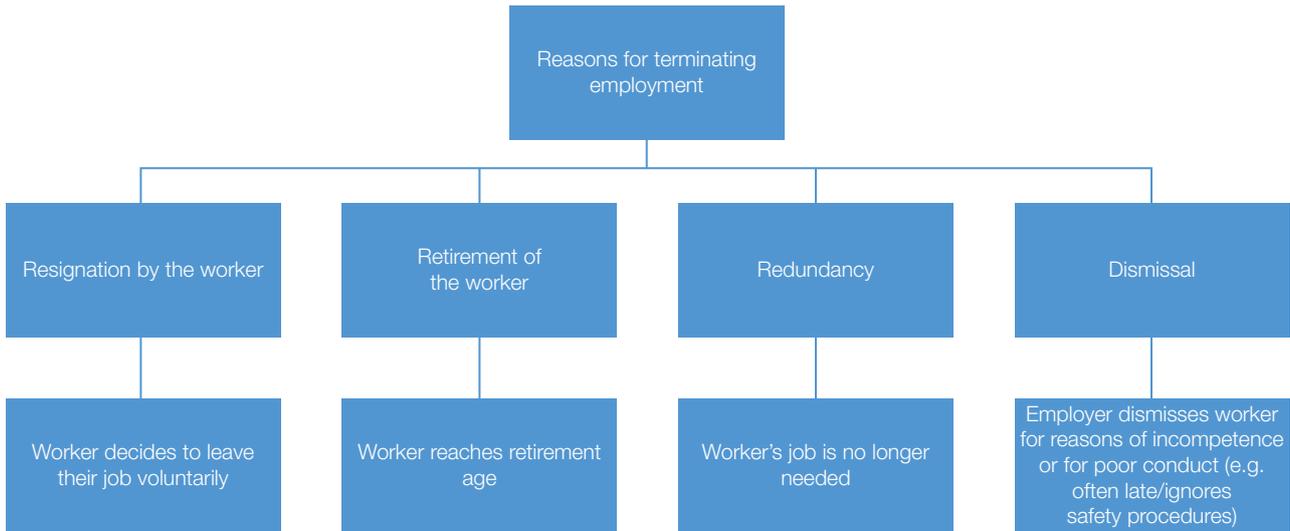
Methods of recruitment



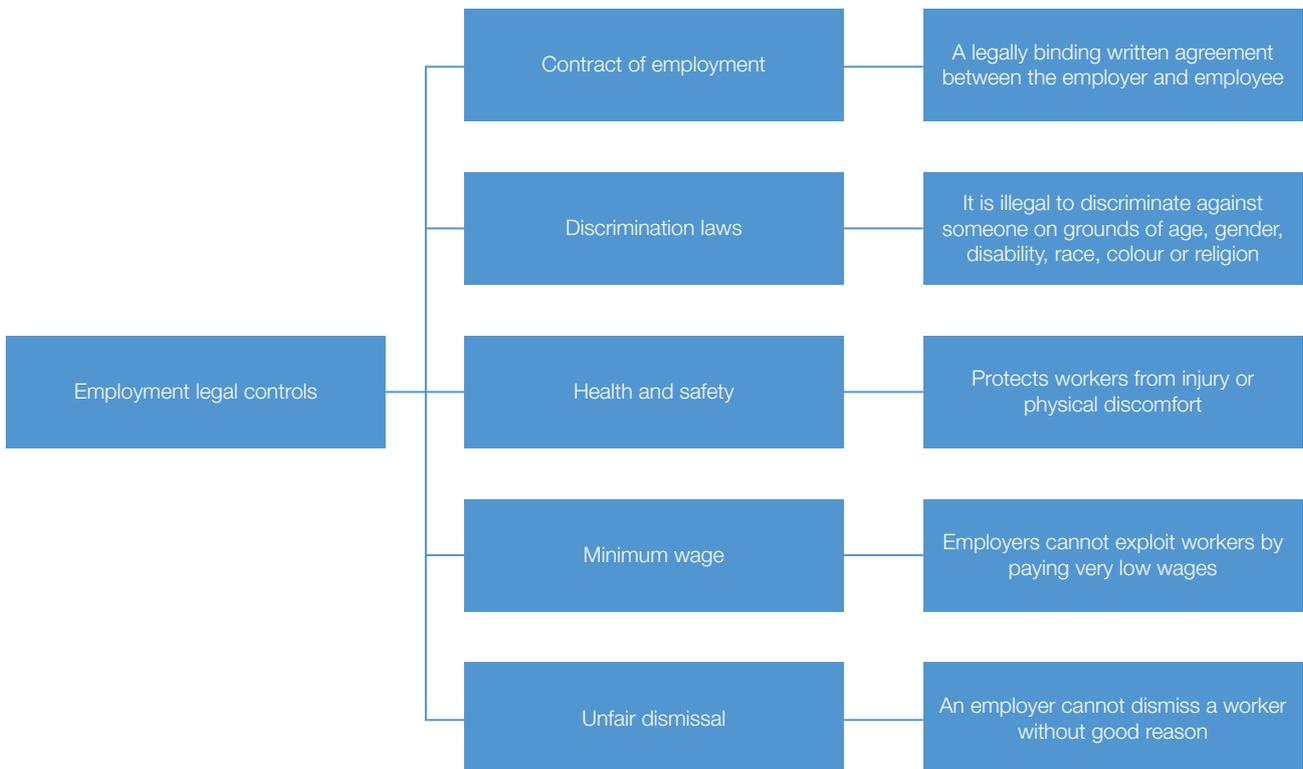
Methods of training



Reasons for terminating employment

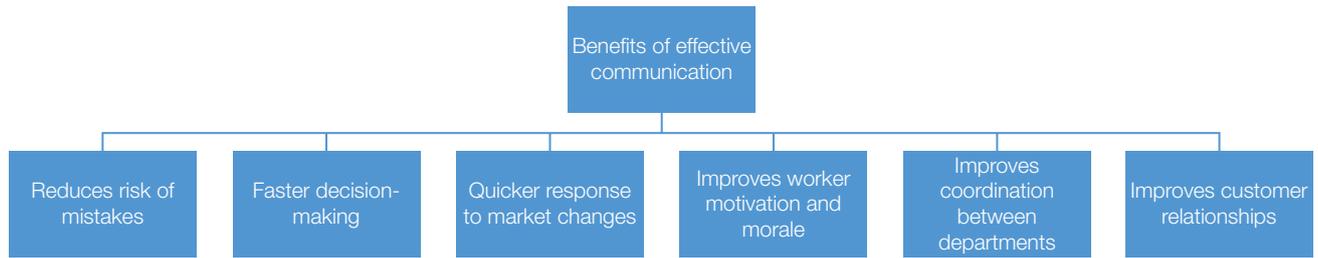


Legal controls over employment issues

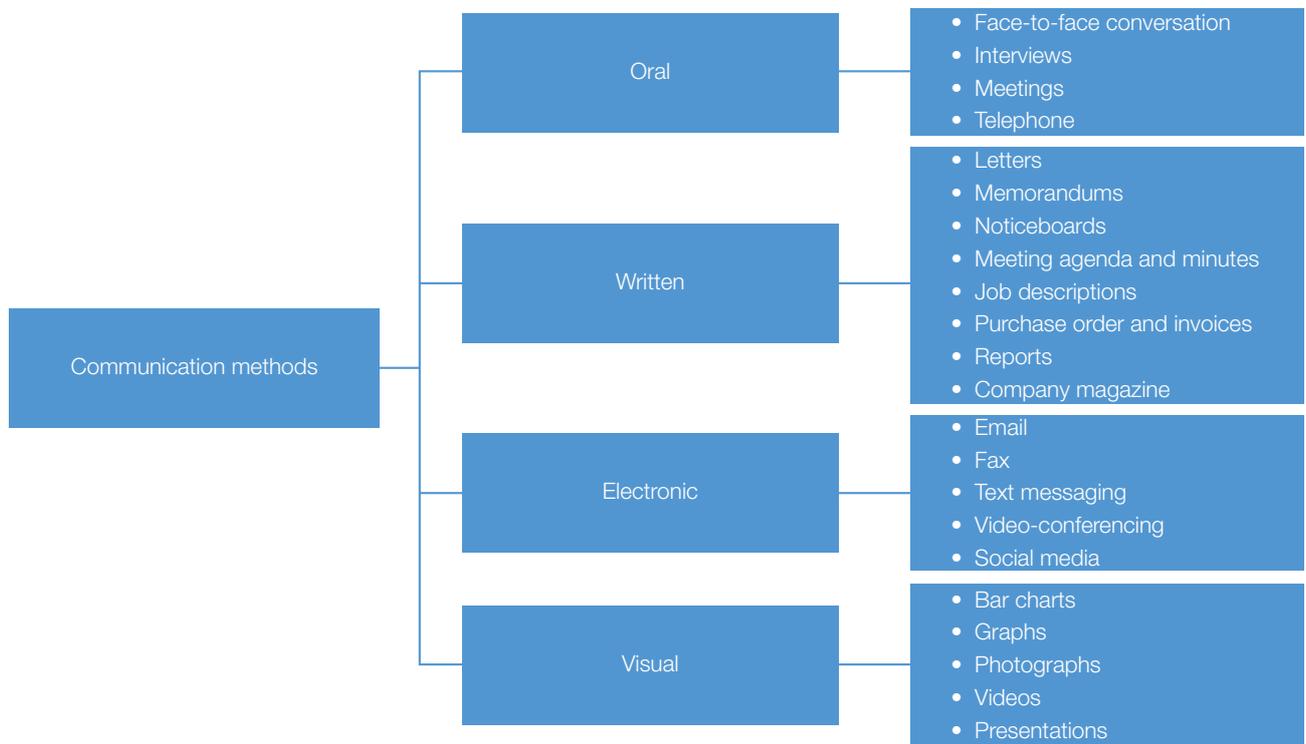


9 Internal and external communication

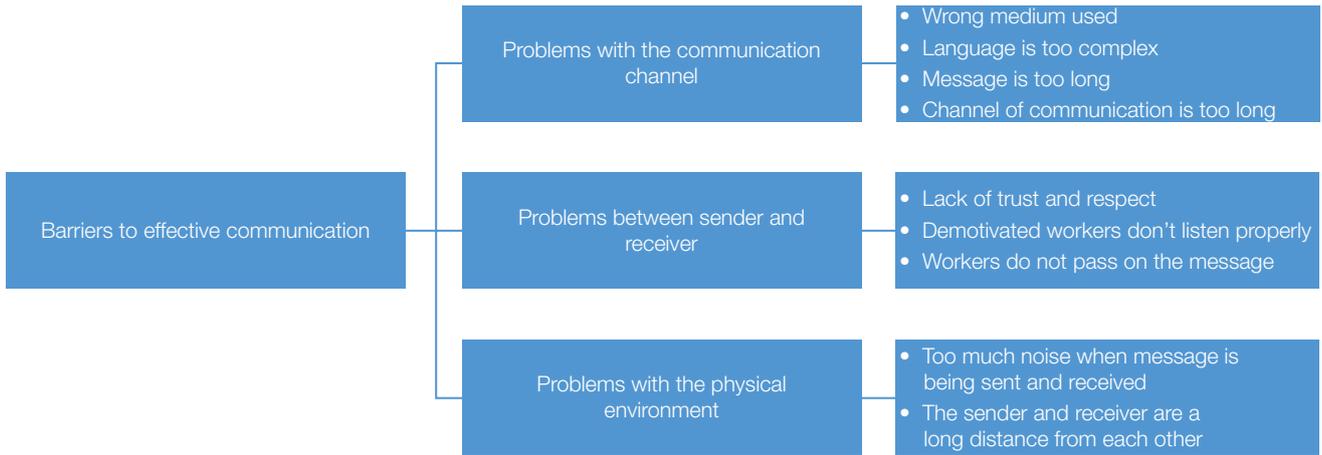
Benefits of effective communication



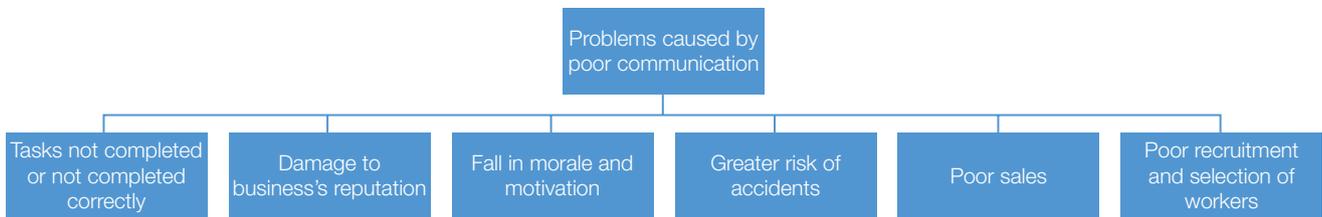
Methods of communication



Communication barriers



Problems of ineffective communication



Section 2 – Revision questions

Two-mark questions

- 1 What is meant by 'motivation'?
- 2 Identify **two** needs in Maslow's hierarchy of needs.
- 3 Identify **two** hygiene factors in Herzberg's two-factor theory.
- 4 What is meant by 'economic man'?
- 5 Identify **two** financial rewards that might be used to motivate workers.
- 6 What is meant by 'chain of command'?
- 7 What is meant by 'span of control'?
- 8 What is meant by 'delaying'?
- 9 What is meant by 'job rotation'?
- 10 What is meant by 'trade union'?
- 11 Identify **two** features of a job description.
- 12 What is meant by 'person specification'?
- 13 Identify **two** benefits of induction training.
- 14 Identify **two** disadvantages of on-the-job training.
- 15 Identify **two** legal controls over employment.
- 16 Identify **two** methods of oral communication.
- 17 What is meant by 'electronic communication'?
- 18 Identify **two** benefits of written communication.
- 19 What is meant by 'effective communication'?
- 20 Identify **two** benefits of effective communication.

Four-mark questions

- 1 Identify and explain **two** motivators identified by Herzberg.
- 2 Identify and explain **two** benefits of having a well-motivated workforce.
- 3 Using examples, explain what is meant by 'fringe benefits'.
- 4 Identify and explain **two** non-financial rewards that might be used to motivate workers.
- 5 Identify and explain **two** benefits of delegation.
- 6 Identify and explain **two** disadvantages of a tall hierarchy.
- 7 Identify and explain **two** functions of management.
- 8 Explain the difference between autocratic and democratic leadership styles.
- 9 Identify **one** advantage and **one** disadvantage of a laissez-faire leadership style.
- 10 Identify and explain **two** benefits to workers of trade unions.
- 11 Identify and explain **two** differences between internal and external recruitment.
- 12 Identify and explain **two** benefits of training to a business.
- 13 Explain the difference between dismissal and redundancy.
- 14 Identify and explain **two** features of a contract of employment.
- 15 Identify and explain **two** reasons why a business might downsize its workforce.
- 16 Identify and explain **two** methods of written communication.
- 17 Identify and explain **two** limitations of oral communication.
- 18 Identify and explain **two** benefits to a business of video-conferencing.
- 19 Identify and explain **two** features of effective communication.
- 20 Identify and explain **two** barriers to effective communication.

Six-mark questions

- 1** Simon is the Human Resources Manager for Top Tools (TT). TT is a small engineering company. It manufactures parts for the car industry. TT's Factory Manager is retiring soon. Simon has been asked by TT's directors to recruit a replacement for the Factory Manager. Simon has prepared a job description and person specification for the Factory Manager's job. Simon thinks that the company should consider internal recruitment, but the directors want to look externally.

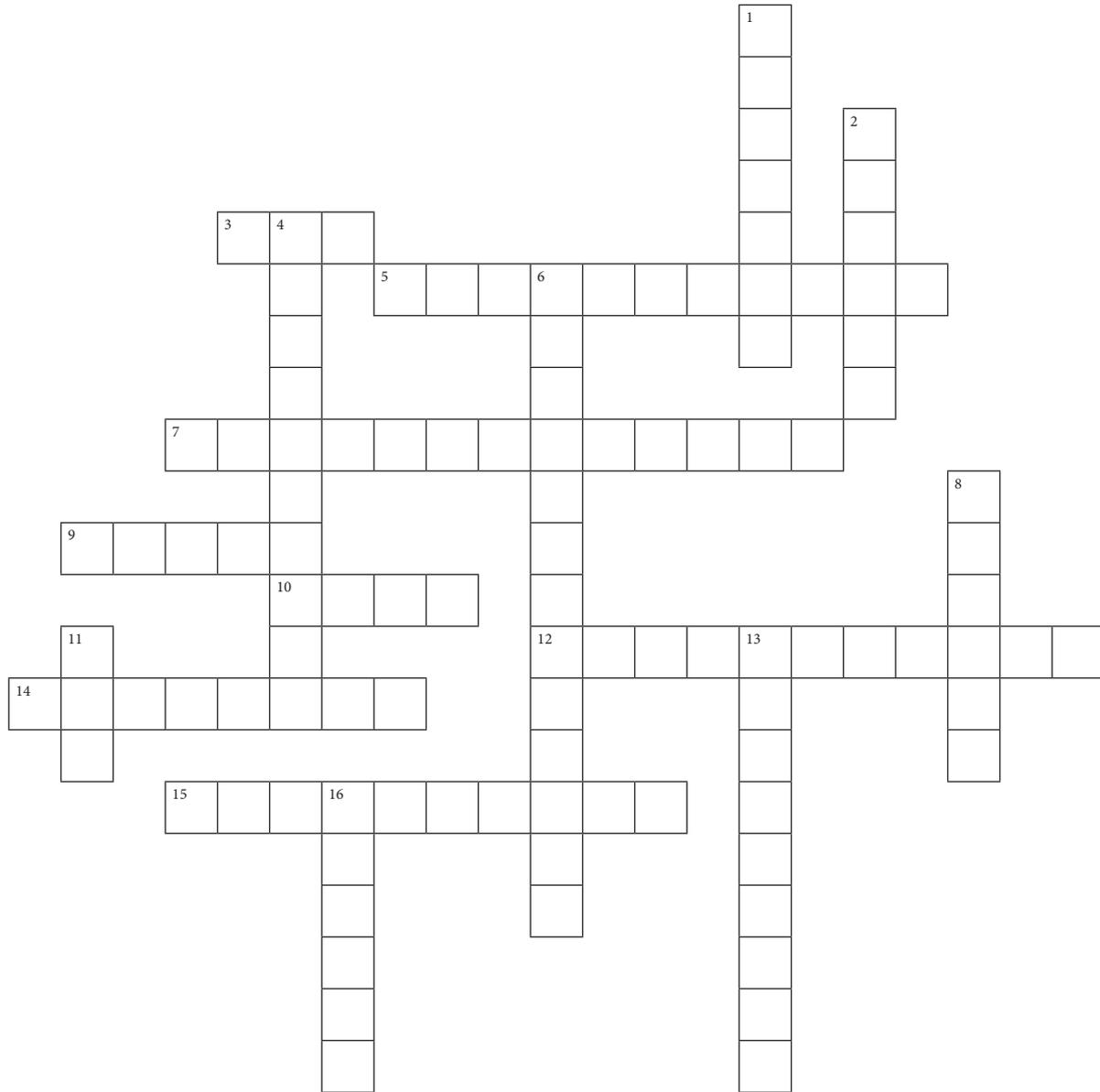
 - a** Identify and explain **two** benefits to TT of having a job description for the Factory Manager's job.
 - b** Identify and explain **two** benefits to TT of having a person specification for the factory manager's job.
 - c** Do you agree with Simon that the Factory Manager should be recruited internally? Justify your answer.
 - d** TT uses induction training. Identify and explain **two** benefits to TT of induction training for the new Factory Manager.

- 2** Noah is the owner of Speedy Delivery Services (SDS). SDS collects parcels from local businesses and delivers them to customers. SDS employs 30 drivers and four office staff. Profits have been falling over the past two years, mainly due to increased competition from a large delivery company that moved into the area three years ago. Noah has decided the only way to increase profits is to reduce costs. He plans to make 11 workers redundant. Ten will be drivers and one will be from the office staff. The drivers are all members of a trade union.

 - a** Identify and explain **two** ways Noah could effectively communicate his plan to reduce the size of the workforce to the SDS workers.
 - b** Identify and explain how Noah might select the workers to be made redundant.
 - c** Identify and explain how the drivers' trade union might help its members at SDS.
 - d** Do you agree with Noah that 'the only way to increase profits is to reduce costs'? Justify your answer.

Section 6 – Crossword

Using the clues on page 2, complete the crossword on external influences on business activity.



Across

- 3 The value of all goods and services produced by a country in a year.
- 5 This is the tax paid by businesses on the profits they make.
- 7 The process by which countries are connected with each other because of the trade of goods and services.
- 9 A physical limit on the quantity of goods that can be imported and exported
- 10 This stage is the peak of the business cycle.
- 12 The effect of business activities on unrelated parties
- 14 The cost to a person of borrowing money from a lender such as a bank.
- 15 The value of the negative impact of a business activity on its external stakeholders

Down

- 1 A decision to not buy a business's products or service and influence customers to do the same.
- 2 To sell goods and services outside the country
- 4 The amount of income left for individuals after taxes have been paid.
- 6 A group of people who join together for a common cause aiming to change the way businesses function.
- 8 A tax applied to the value of imported and exported goods.
- 11 An organisation that has operations in more than 1 country.
- 13 A stage of the business cycle when the economy shrinks in size.
- 16 To buy goods and services from outside the country

Section 6 – Key terms

How well do you know key terms?

Match the following key words with the correct definition. Write the letter of the correct definition next to each key word.

Key word	Definition
a Host country	1 An organisation that has operations in more than one country.
b A multinational company	2 The process by which countries are connected with each other because of the trade of goods and services.
c Quota	3 A group of countries that trade with each other and are usually part of a free trade agreement.
d Exchange rate	4 The price increase of goods and services over time.
e Corporation tax	5 The foreign country where a multinational sets up its operations.
f Tariff	6 The rate at which one country's currency can be exchanged for that of another.
g Externality	7 When the value of a currency goes down with respect to another.
h Balance of payments	8 A physical limit on the quantity of goods that can be imported and exported.
i Currency depreciation	9 The effect of business activities on unrelated parties.
j Globalisation	10 A tax applied to the value of imported and exported goods.
k Trade bloc	11 The value of the negative impact of a business activity on its external stakeholders.
l Inflation	12 A group of people who join together for a common cause (ethical or environmental). They aim to change the way businesses function.
m Level of unemployment	13 Refusing to buy a business's products or services and trying to influence other consumers to do the same.
n Social cost	14 The difference between the value of export and import of goods and services of a country over a year.
o Boycotting	15 The proportion/percentage of the population that are capable of working but are unable to find a job.
p Interest rate	16 The value of all goods and services produced by a country in a year.
q Pressure group	17 The tax paid by businesses on the profits they make.
r Gross domestic product (GDP)	18 A charge/fee paid to the government on income, goods and services.
s Disposable income	19 The cost to a person or business of borrowing money from a lender such as a bank.
t Tax	20 The amount of income left for individuals after taxes have been paid.

Section 6 – Word search

The key terms below are all concerned with external influences on business activity. See if you can find them in the word search. Words go from left to right, across, downwards or diagonally.

P	S	X	T	I	U	W	T	L	Y	X	Y	T	Q	W	K	X	Q	C	T
P	D	Q	L	A	V	L	L	Q	Z	W	J	S	P	P	H	J	Y	B	F
R	M	D	O	K	X	L	V	U	C	X	O	O	R	B	F	D	C	A	P
O	A	B	O	O	M	R	P	K	A	C	F	Z	H	O	X	J	U	O	V
X	P	V	D	G	V	P	C	Q	I	R	Z	E	J	B	J	N	D	K	D
R	P	C	A	S	C	D	X	A	B	L	M	Z	U	G	O	P	E	S	W
Z	R	G	H	T	Y	P	L	Z	Y	U	I	Z	D	W	D	O	Z	U	Q
P	E	L	S	I	N	C	O	M	E	W	U	Q	Y	F	C	Y	Z	I	N
O	C	O	P	M	O	F	E	N	V	I	R	O	N	M	E	N	T	M	E
L	I	B	M	S	I	N	T	E	R	E	S	T	R	A	T	E	K	X	N
L	A	A	T	G	R	O	W	T	H	K	B	M	J	W	V	I	T	A	S
U	T	L	L	O	I	N	C	O	M	E	T	A	X	B	S	E	G	F	K
T	I	I	D	Z	B	B	E	D	A	B	E	M	N	T	R	Z	T	F	M
I	O	S	G	Q	O	T	Z	K	O	P	I	K	H	N	U	Z	Z	A	E
O	N	A	K	D	E	L	F	Y	J	P	F	G	A	N	B	T	H	B	N
N	N	T	N	T	E	B	C	N	D	I	M	L	C	L	W	K	G	V	J
G	A	I	T	K	F	O	E	Q	S	O	I	T	W	C	V	Q	K	X	E
Y	L	O	Y	C	T	M	L	C	F	T	M	N	C	Y	N	R	V	X	X
R	H	N	E	T	R	B	A	P	Y	X	F	G	L	Z	D	O	V	U	Z
T	Y	X	E	W	Z	L	Q	H	E	E	T	H	I	C	S	P	V	W	L

ETHICS

GROWTH

BOOM

VAT

ENVIRONMENT

SOCIAL COST

MNC

FISCAL

GLOBALISATION

INCOME TAX

INTEREST RATE

POLLUTION

EXTERNALITY

BOYCOTT

APPRECIATION

INCOME

Section 6 – Key terms answers

- a 5
- b 1
- c 8
- d 6
- e 17
- f 10
- g 9
- h 14
- i 7
- j 2
- k 3
- l 4
- m 15
- n 11
- o 13
- p 19
- q 12
- r 16
- s 20
- t 18

Section 6 – Word search answers

P	S	X	T	I	U	W	T	L	Y	X	Y	T	Q	W	K	X	Q	C	T
P	D	Q	L	A	V	L	L	Q	Z	W	J	S	P	P	H	J	Y	B	F
R	M	D	O	K	X	L	V	U	C	X	O	O	R	B	F	D	C	A	P
O	A	B	O	O	M	R	P	K	A	C	F	Z	H	O	X	J	U	O	V
X	P	V	D	G	V	P	C	Q	I	R	Z	E	J	B	J	N	D	K	D
R	P	C	A	S	C	D	X	A	B	L	M	Z	U	G	O	P	E	S	W
Z	R	G	H	T	Y	P	L	Z	Y	U	I	Z	D	W	D	O	Z	U	Q
P	E	L	S	I	N	C	O	M	E	W	U	Q	Y	F	C	Y	Z	I	N
O	C	O	P	M	O	F	E	N	V	I	R	O	N	M	E	N	T	M	E
L	I	B	M	S	I	N	T	E	R	E	S	T	R	A	T	E	K	X	N
L	A	A	T	G	R	O	W	T	H	K	B	M	J	W	V	I	T	A	S
U	T	L	L	O	I	N	C	O	M	E	T	A	X	B	S	E	G	F	K
T	I	I	D	Z	B	B	E	D	A	B	E	M	N	T	R	Z	T	F	M
I	O	S	G	Q	O	T	Z	K	O	P	I	K	H	N	U	Z	Z	A	E
O	N	A	K	D	E	L	F	Y	J	P	F	G	A	N	B	T	H	B	N
N	N	T	N	T	E	B	C	N	D	I	M	L	C	L	W	K	G	V	J
G	A	I	T	K	F	O	E	Q	S	O	I	T	W	C	V	Q	K	X	E
Y	L	O	Y	C	T	M	L	C	F	T	M	N	C	Y	N	R	V	X	X
R	H	N	E	T	R	B	A	P	Y	X	F	G	L	Z	D	O	V	U	Z
T	Y	X	E	W	Z	L	Q	H	E	E	T	H	I	C	S	P	V	W	L

Section 6 – Multiple choice

- 1 Which of the following is **not** an economic objective of the government of a country?
 - A Economic growth
 - B Higher inflation
 - C Lower unemployment
 - D Healthy balance of payments

- 2 The price increase of goods and services over time is known as
 - A inflation
 - B GDP
 - C balance of payments
 - D globalisation.

- 3 Which stage of the business cycle is characterised by a decline in economic activity?
 - A Boom
 - B Growth
 - C Recession
 - D Slump

- 4 Which **two** factors are the main elements of a government's economic policy?
 - A Interest rates
 - B Infrastructural improvements
 - C Tax rates
 - D Waste collection

- 5 How will the cost of borrowing money from banks be affected by an increase in interest rates?
 - A It will become more expensive
 - B It will stay the same
 - C It will become cheaper
 - D It will depend on the bank

- 6 Which of the following is **not** a type of tax?
 - A Tariff
 - B VAT
 - C Income tax
 - D Quota

- 7 What happens to the cost of imports when the currency of a country depreciates?
- A It stays the same.
 - B It becomes more expensive.
 - C It becomes cheaper.
 - D It becomes the same as the price of exports.
- 8 What is the main aim of pressure groups?
- A To take care of the environment.
 - B To demonstrate.
 - C To influence government policy and business actions.
 - D To reduce energy consumption.
- 9 The effect of business activities on unrelated parties is known as:
- A externality
 - B opportunity cost
 - C cost-benefit analysis
 - D globalisation.
- 10 Business activities that meet present needs without harming the future are said to be:
- A renewable
 - B sustainable
 - C ethical
 - D profit-making.
- 11 Which of the following is **not** an aspect of corporate social responsibility?
- A Social costs
 - B Social benefit
 - C Interest of stakeholders
 - D Price of goods
- 12 Which of the following is an example of an unethical business practice?
- A Selling products at competitive prices.
 - B Advertising products on television.
 - C False advertising of products and services.
 - D Payment of overtime for extra work done by workers.
- 13 The process by which countries are connected with each other because of the trade of goods and services is known as:
- A import and export
 - B globalisation
 - C balance of payments
 - D free trade agreements.

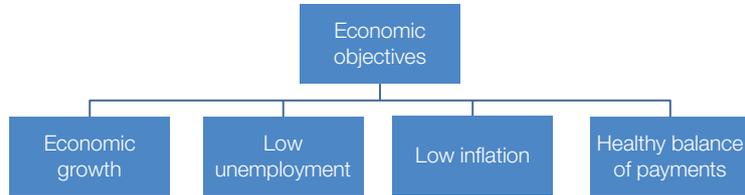
- 14 Which of the following is **not** a characteristic of globalisation?
- A Growth in international trade.
 - B Global recognition of brands.
 - C Greater movement of products and services.
 - D Increase in environmental damage.
- 15 The setting up of a MNC in the host country poses a threat to local businesses through:
- A increased competition
 - B increased choice of goods and services
 - C better infrastructure
 - D more employment.
- 16 Which of the following is **not** a positive impact of globalisation?
- A Wider variety of products available to consumers.
 - B Increased cooperation between countries.
 - C Increased competition leads to more efficiently run businesses.
 - D Loss of jobs in the home country.
- 17 Which of the following is **not** a benefit to the host country of having a MNC set up operations in its country?
- A Improved infrastructure
 - B More employment
 - C More foreign exchange
 - D Lower cost of labour
- 18 Which two of the following are benefits to a business of becoming a multinational company?
- A Easier access to raw materials
 - B Threat from pressure groups
 - C Tight regulatory framework
 - D Access to a bigger market
- 19 A physical limit on the quantity of goods that can be imported and exported is known as a:
- A tariff
 - B quota
 - C VAT
 - D trade bloc.
- 20 Which of the following will **not** attract MNCs to start operations in a country?
- A Availability of skilled labour
 - B Tax incentives, rebates and stable currency
 - C Reliable power supply
 - D High tax rates

- 21** What is meant by the appreciation of a currency?
- A** The value of the currency fluctuates.
 - B** The value of the currency decreases with respect to another currency.
 - C** The value of the currency increases with respect to another currency.
 - D** The value of the currency remains the same.
- 22** What are the **two** effects of depreciation of currency on exporters?
- A** Exports are cheaper overseas.
 - B** A decrease in sales.
 - C** Exports are more expensive overseas.
 - D** An increase in sales.

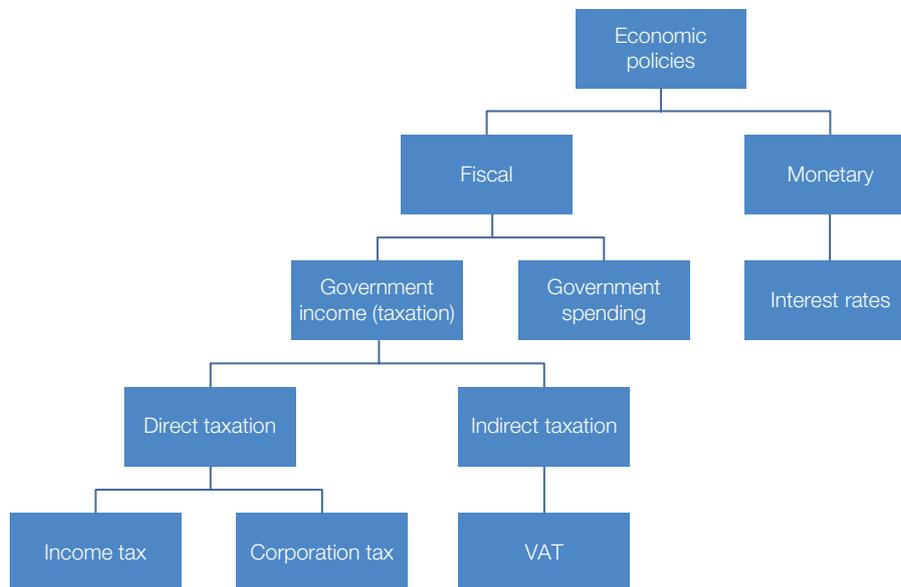
Section 6 – Mind maps

24 Government economic objectives and policies

Economic objectives

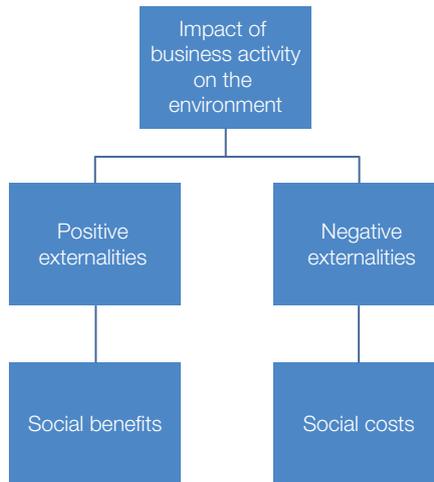


Economic policies

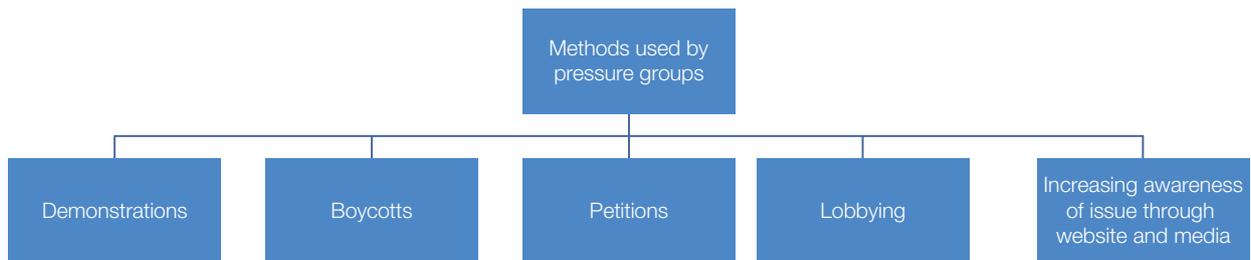


25 Environmental and ethical issues

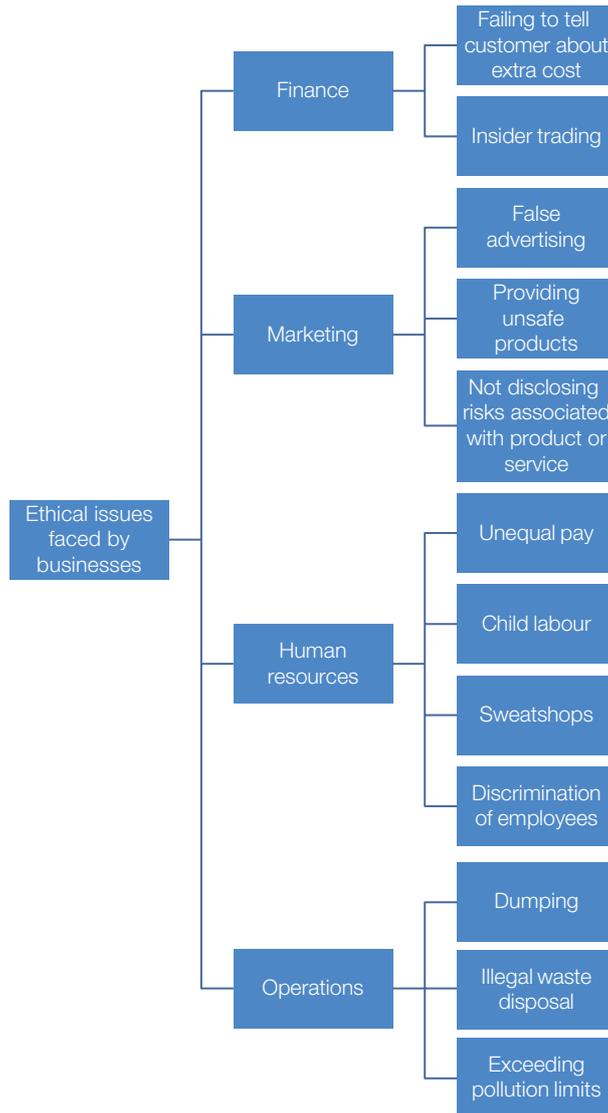
Impact of business activity on the environment



Methods used by pressure groups

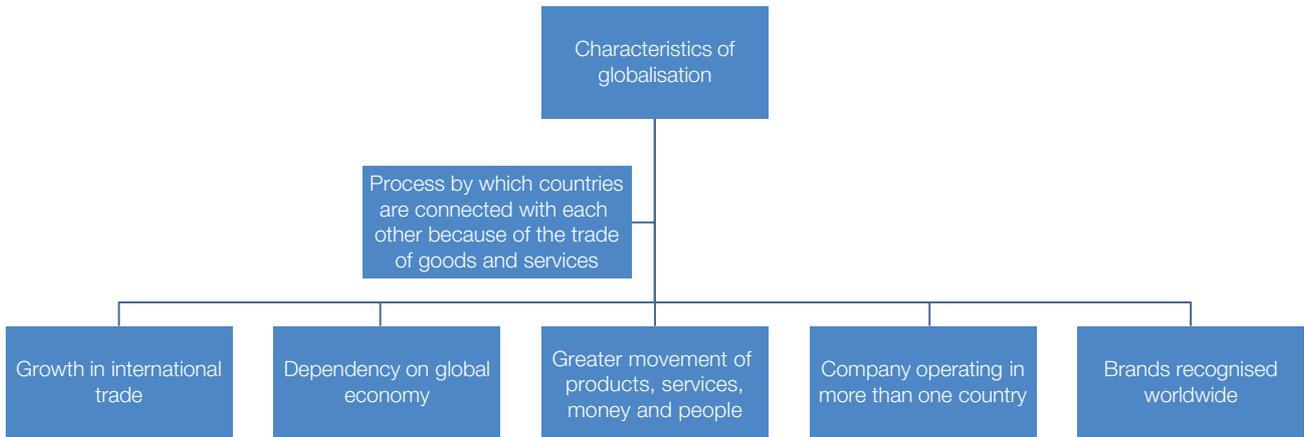


Ethical issues faced by businesses

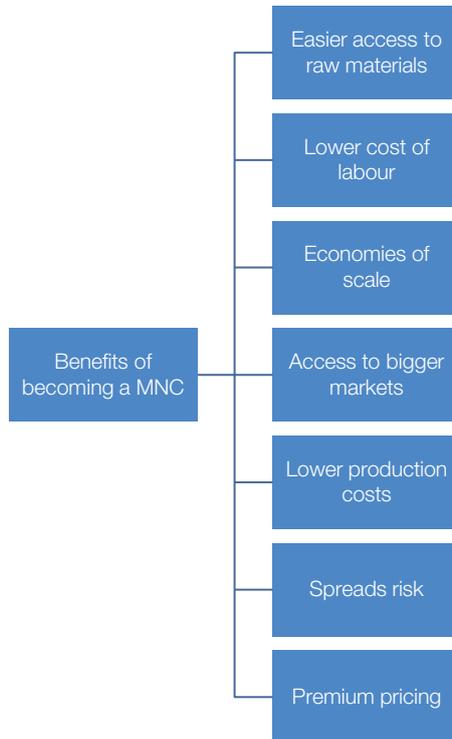


26 Business and the international economy

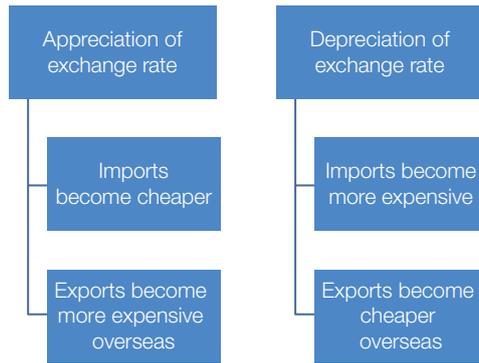
Characteristics of globalisation



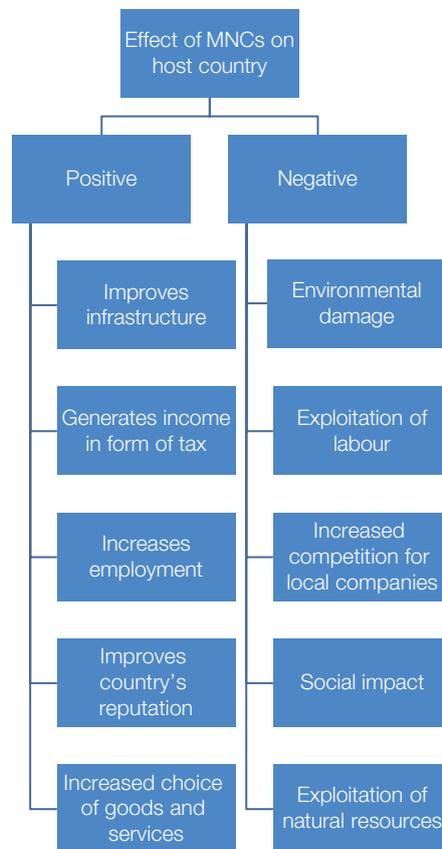
Benefits to a business of becoming a multinational company



Impact on businesses of changes in the exchange rate



Effect of multinationals on the host country



Section 6 – Revision questions

Two-mark questions

- 1 What is meant by 'gross domestic product'?
- 2 List the main economic objectives of a government.
- 3 What are the four main stages of the business cycle?
- 4 What is meant by balance of payments?
- 5 Identify **two** examples of direct taxes.
- 6 What is meant by 'indirect taxes'?
- 7 Identify **two** ways in which the government can control business activity.
- 8 What is meant by 'externality'?
- 9 Identify two effects of business activity on the environment.
- 10 What is meant by 'social cost'?
- 11 What is meant by 'sustainable development'?
- 12 Give **two** examples of unethical business practices.
- 13 What is a pressure group?
- 14 List **two** methods used by pressure groups to influence businesses and the government.
- 15 What is meant by 'globalisation'?
- 16 Identify **two** characteristics of globalisation.
- 17 What is a multinational company?
- 18 Give **two** examples of trade blocs.
- 19 What is meant by 'quota'?
- 20 What is meant by 'depreciation of a currency'?

Four-mark questions

- 1 Describe the main characteristics of the boom stage of the business cycle.
- 2 Identify and explain **two** economic objectives of a country.
- 3 With the aid of examples, explain the difference between direct and indirect taxes.
- 4 Explain how an increase in income tax rates can affect consumer spending.
- 5 Explain how an increase in interest rates will affect businesses.
- 6 How will changes in government spending in infrastructure affect businesses in that sector?
- 7 What are greenhouse gases? How does business activity contribute to the emission of greenhouse gases?
- 8 Identify and explain **two** negative externalities caused by a new factory located near a residential area.
- 9 Explain how the government can use incentives to encourage businesses to be environmentally friendly.
- 10 Identify and explain **two** steps a business can take to become sustainable.
- 11 Explain **two** advantages to a business of following ethical business practices.
- 12 With the help of an example, explain the significance of cost-benefit analysis when evaluating the impact of a project.
- 13 Identify and explain the opportunities and threats of globalisation.
- 14 Explain the importance of becoming a multinational company to a business.
- 15 Use an example to explain the impact of depreciation of a currency on a business.
- 16 Explain the effect of appreciation of a currency on exporters.
- 17 List and explain **two** characteristics that will make a country attractive for investment by multinational companies.
- 18 With the aid of an example, explain how free trade agreements may benefit international trade.
- 19 Identify and explain **two** advantages of a multinational company to the host country.
- 20 Identify and explain **two** ways in which a government tries to control the amount of international trade of its country.

Six-mark questions

- 1 Country A is in recession. Its government has two main objectives: to reduce unemployment and improve the country's balance of payments. In order to improve the balance of payments, the government has set quotas and tariffs on imports and lowered interest rates to encourage exports. The currency of Country A has been depreciating against the currencies of its international trading partners.
 - a Identify and explain the main characteristics of an economy in recession.
 - b Do you think setting quotas and tariffs and lowering interest rates will help improve the balance of payments of Country A? Justify your answer.
 - c Do you think the depreciation of Country A against the currencies of its international trading partners will help the exporters of Country A? Justify your answer.

- 2 Surjit Banda owns a rubber manufacturing plant and has lately been facing opposition from local pressure groups in his country for the plant's impact on the environment. Surjit has responded to the pressure groups by saying that his business activity is sustainable and that his manufacturing plant has helped the economy of the country. Surjit has plans to export his products to neighbouring countries and wants to be known as an ethical supplier.
 - a Do you think Surjit's business activity has more social benefits than costs? Carry out a cost-benefit analysis to justify your answer.
 - b Why is it important for Surjit to respond to the pressure groups? Identify and explain the opportunities and threats posed by pressure groups.
 - c Explain why it is important for Surjit's business to be known as ethical.