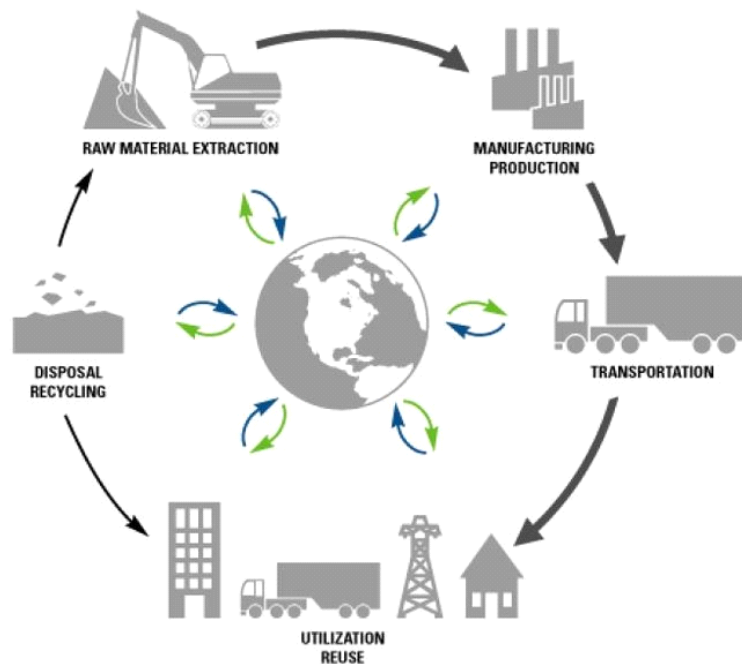


# Unit 6

## External Influences on Business Activity

### Categorised Past Papers

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2 The economy of country A is in recession. To deal with the problems caused by the recession, the Government has cut interest rates and reduced taxes. These changes have had a big impact on businesses in country A. The Government has also introduced laws to protect employees at work. Some people have suggested that the Government should give grants and subsidies to private sector businesses to help them survive.

(a) What is meant by the term 'recession'?

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.....[2]

(b) Identify **two** ways in which consumers might be affected by a recession.

Way 1: .....  
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Way 2: .....  
.....[2]

(c) Identify and explain **two** consequences of a fall in interest rates on businesses in country A. [www.igcsebusiness.co.uk](http://www.igcsebusiness.co.uk)

Consequence 1: .....  
Explanation: .....  
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.....  
Consequence 2: .....  
Explanation: .....  
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.....[4]

- (d) Identify and explain **three** ways by which employees can be protected at work by Government laws.

For  
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Use

Way 1: .....

Explanation: .....

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Way 2: .....

Explanation: .....

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Way 3: .....

Explanation: .....

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..... [6]

- (e) Do you think that Governments should give financial support to private sector businesses to survive in a recession? Justify your answer.

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5 The Government of country Z has decided to invest a large amount of capital in building a new road system. Some people don't like the decision because of the social costs that it will create. However, most businesses think the decision is a good one. The business sector would also like to see the Government lower taxes on goods and remove some of the consumer protection and employment laws that it claims increase business costs.

(a) Identify **two** ways that employees may be protected at work by employment laws.

Way 1: .....

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Way 2: .....

..... [2]

(b) Identify **two** reasons why Governments put taxes on goods.

Reason 1: .....

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Reason 2: .....

..... [2]

(c) Identify and explain **two** reasons why many business managers think the decision to build more roads is a good one.

Reason 1: .....

Explanation: .....

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Reason 2: .....

Explanation: .....

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..... [4]

(d) Identify and explain **three** social costs that the road building programme might create.

For  
Examiner's  
Use

Cost 1: .....

Explanation: .....

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Cost 2: .....

Explanation: .....

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Cost 3: .....

Explanation: .....

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(e) The management of many businesses in the private sector think that consumer and employment legislation increases business costs. Do you think society would benefit from a reduction in such laws? Justify your answer.

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5 Extracto is a multinational mining business. It has recently found mineral deposits in country X. The Managing Director hopes that the deposits found are large enough for them to make a good profit. Some pressure groups in country X think that Extracto has only considered the financial benefits of its plans and has ignored the social costs.

(a) What is meant by a 'financial benefit'?

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.....[2]

(b) Identify **two** examples of social costs that extraction of minerals might create.

Example 1: .....  
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Example 2: .....  
.....[2]

(c) Identify and explain **two** ways in which pressure groups could influence Extracto's decisions.

Way 1: .....  
Explanation: .....  
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Way 2: .....  
Explanation: .....  
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.....[4]

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- (d) Identify and explain **three** factors that Extracto should consider before deciding whether to begin mining in country X.

For  
Examiner's  
Use

Factor 1: .....

Explanation: .....

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Factor 2: .....

Explanation: .....

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Factor 3: .....

Explanation: .....

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- (e) Governments often aim to attract multinational companies into their countries. Do you think that they should do this? Justify your answer.

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5 Country W has a mixed economy. Herio is a Government economist. He said: 'Business activity in the private sector can lead to external costs, such as pollution. It can also create external benefits. I believe that businesses that create external benefits should be encouraged and those that create external costs should be closed down.' Country W has low economic growth and rising inflation.

(a) What is meant by 'the private sector'?

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..... [2]

(b) What is meant by 'rising inflation'?

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(c) Most businesses set objectives. Identify and explain **two** reasons why having objectives may be important for a business.

Reason 1: .....  
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Explanation: .....  
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Reason 2: .....  
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Explanation: .....  
..... [4]



- (d) Identify **three** external benefits and explain how business activity can create each benefit.

For  
Examiner's  
Use

Benefit 1: .....

Explanation of how benefit is created: .....

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Benefit 2: .....

Explanation of how benefit is created: .....

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Benefit 3: .....

Explanation of how benefit is created: .....

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- (e) Herio believes businesses that create external costs should be closed down. Do you agree with him? Justify your answer.

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5 Greenfield manufactures furniture. The company imports wood and other raw materials from several countries. Marcos is the Managing Director of Greenfield. Marcos said that his company was affected by import quotas and changes in exchange rates. He said: 'Greenfield has to buy its raw materials from other countries as there are no timber (wood) resources in our own country.'

(a) What is meant by 'import quota'?

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..... [2]

(b) Identify **two** ways that Greenfield's business might harm the environment.

Way 1: .....  
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Way 2: .....  
..... [2]

(c) Identify and explain **two** ways in which changes in exchange rates could cause problems for Greenfield.

Way 1: .....  
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Explanation: .....  
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Way 2: .....  
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Explanation: .....  
..... [4]

- (d) The Government in Greenfield's country is introducing consumer protection laws. Identify and explain **three** ways in which Greenfield's business could be affected by these new laws.

For  
Examiner's  
Use

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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Way 3: .....

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Explanation: .....

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- (e) Greenfield's management is thinking of expanding the business by taking over another furniture manufacturer. Do you think this is a good idea for Greenfield? Justify your answer.

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4 Table 2 gives data about the economy of country C.

**Table 2**

Year	National income per person (\$)	Inflation (%)	Unemployment (%)
2010	650	5	10
2011	640	3	12
2012	600	1.5	18

The economy of country C is in recession. The Government wants to create more jobs by encouraging more businesses to start up. However some pressure groups are against this because they think that more businesses will cause more external (social) costs.

(a) What is meant by 'recession'?

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..... [2]

(b) Identify **two** possible reasons why national income per person has fallen between 2010 and 2012.

Reason 1: [www.igcsebusiness.co.uk](http://www.igcsebusiness.co.uk) .....

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Reason 2: .....

..... [2]

(c) Identify and explain **two** ways that a Government could help new businesses to start up.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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- (d) Identify and explain **three** external (social) costs that might be caused by an increase in the number of businesses in country C.

For  
Examiner's  
Use

Cost 1: .....

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Explanation: .....

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Cost 2: .....

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Explanation: .....

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Cost 3: .....

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Explanation: .....

..... [6]

- (e) Do you think that new start-up businesses can be successful in country C? Justify your answer.

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5 ANZ is a large multinational company which manufactures aeroplanes. Growth is an important objective for the company. ANZ wants to start producing in country P for the first time. The new factory will operate for 24 hours a day. A pressure group in country P believes that all business activity is bad for the environment. It wants the Government to do more to control business activity.

(a) What is meant by 'pressure group'?

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..... [2]

(b) Identify **two** measures a Government could use to control business activity.

Measure 1: .....

Measure 2:..... [2]

(c) Identify and explain **two** reasons why objectives are important to businesses such as ANZ.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

..... [4]

(d) Identify and explain **three** advantages for country P of ANZ's decision to open a new factory.

For  
Examiner's  
Use

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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Advantage 3: .....

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Explanation: .....

..... [6]

(e) Do you think that all business activity is bad for the environment? Justify your answer.

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2 The economy of country Z is booming. Its Government wants to create more manufacturing jobs by making it easier for new businesses to start up and build new factories. Recently a Government minister said: 'All new businesses will be successful during a boom'. Controls on where new factories can be built are to be removed. Some pressure groups are against this idea because they believe that new businesses create external (social) costs.

(a) Identify **two** features of a 'boom'.

Feature 1: .....

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Feature 2: .....

.....[2]

(b) What is meant by a 'pressure group'?

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.....[2]

(c) Identify and explain **two** external (social) costs that might be created by building new factories.

Cost 1: .....

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Explanation: .....

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Cost 2: .....

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Explanation: .....

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- (d) Identify and explain **two** ways that a Government could use to encourage new businesses to start up (other than removing controls on where factories can be built).

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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- (e) 'All new businesses will be successful during a boom.' Do you agree? Justify your answer.

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- 5 The economy of country U is enjoying an economic boom. Many new businesses are being set up in country U. There are many sources of external finance available for new businesses.

GGC is a multinational mining company. Its directors have agreed to form a joint venture with another mining company that is already based in country U. All mine workers are members of a trade union.

- (a) Identify **two** features of an economic boom.

Feature 1: .....

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Feature 2: .....

..... [2]

- (b) Identify **two** possible advantages to mine **workers** of being members of a trade union.

Advantage 1: .....

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Advantage 2: .....

..... [2]

- (c) Identify and explain **two** possible advantages to GGC's **management** of its mine workers being members of a trade union.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

..... [4]

- (d) Identify and explain **two** sources of external finance that GGC might use when setting up a new mine.

For  
Examiner's  
Use

Source 1: .....

Explanation: .....

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Source 2: .....

Explanation: .....

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- (e) Do you think it is a good idea for GGC to form a joint venture in country U? Justify your answer.

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4 The economy of country U is in recession. The Government has cut interest rates to attract businesses to set up in country U. JWR is a large multinational energy company. JWR may decide to open a power station in country U. The Government thinks that opening a new power station will create many external benefits. Some pressure groups do not want companies like JWR operating in their country.

(a) Identify **two** features of a recession.

Feature 1: .....  
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Feature 2: .....  
..... [2]

(b) Identify **two** effects of a cut in interest rates on businesses like JWR.

Effect 1: .....  
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Effect 2: .....  
..... [2]

(c) Identify and explain **two** actions that pressure groups could use to influence JWR's decision.

Action 1: .....  
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Explanation: .....  
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Action 2: .....  
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Explanation: .....  
..... [4]

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- (d) Identify and explain **two** external benefits as a result of opening a new power station in country U.

External benefit 1: .....

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Explanation: .....

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External benefit 2: .....

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Explanation: .....

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- (e) Do you think that the Government of country U should try to attract multinational businesses? Justify your answer.

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4 Nellis is a public limited company. It specialises in building large luxury houses. Over the past 3 years its profits have increased as the country is experiencing an economic boom. ‘It’s not all good news – the Government has announced plans to increase interest rates and introduce new legal controls to protect the environment’ said the Managing Director. He believes these new legal controls to protect the environment will only make businesses (such as Nellis) less profitable.

(a) What is meant by an ‘economic boom’?

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.....[2]

(b) Identify **two** stages (other than boom) of the business cycle.

Stage 1: .....

Stage 2: .....[2]

(c) Explain how a rise in interest rates might affect Nellis.

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(d) Identify **two** stakeholder groups. Explain why each group is important to this business.

Stakeholder group 1: .....

Explanation: .....

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Stakeholder group 2: .....

Explanation: .....

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(e) The Managing Director believes that the new legal controls to protect the environment will only make businesses (such as Nellis) less profitable. Do you agree? Justify your answer.

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4 BRZ sells outdoor clothing, such as waterproof trousers and coats, in country X. It imports most of its inventory (stock) from low wage countries. ‘Globalisation has changed how we do business. It offers many opportunities but I have to consider import quotas and exchange rates’ said the Operations Director. BRZ tries to act in an ethical way with all its stakeholders. The Operations Director is not sure if it is possible for BRZ to be both ethical and profitable.

(a) What is meant by an ‘import quota’?

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.....[2]

(b) What is meant by ‘inventory (stock)’?

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(c) Explain how a depreciation in the value of country X’s currency might affect the profits of BRZ.

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(d) Identify and explain **two** opportunities that globalisation might offer BRZ.

Opportunity 1: .....

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Explanation: .....

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Opportunity 2: .....

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Explanation: .....

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(e) Do you think it is possible for companies such as BRZ to be both ethical and profitable?  
Justify your answer.

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