Chapter 1

p7.
Think about it 1.1

What factors do you think determine whether land reclamation is worthwhile?

Answers might include:
- Initial cost
- Likely returns
- How is success measured? - financial returns or simply having more living space? May be expensive but win votes so worthwhile to a government.

p9.
Think about it 1.2

1. What do you think is the best way of deciding how well a university is performing?

Answers might include:
- Student satisfaction
- Quality and quantity of research
- Quality of teaching when inspected
- Employability of graduates
- Financial position
- Investment in facilities
- Student numbers

2. What about a hospital?

Answers might include:
- Waiting times
- Recovery rates
- Number of patients seen
- Expenditure

3. In what ways, apart from profit, might a business such as BP, the multinational energy company, measure its success?

Answers might include:
- Impact on the environment
- Involvement of employees
- Accidents and injury rates
- Involvement with the community

Look at www.bp.com for more information on what BP actually measures.

4. If you worked for a business, how would you measure the success of your employer?

Answers might include:
- Profits
- Your pay
• How you are treated
• Career development options
• Reputation of the employer

p10.
Think about it 1.3

You have earned £1000 from some part time work. What might be an example of how you used this money (a) for short run consumption and (b) for long-term investment?

Short run: treat yourself to a holiday.
Long term: invest in a laptop to improve the quality of your research!

p. 12
Think about it 1.4

1. Think of three large private sector organizations in your economy. What do you think their objectives are?
2. How might these objectives differ from those of much smaller organizations?
3. Can you think of organizations in your economy what are owned by the government. What do you think their objectives are?

Answers might include:
1. May include profit, growth, shareholder value, community responsibilities.
2. Will depend but may have greater sense of stakeholder obligations as they play such a key role in society.
3. May include social objectives not just profit.

Business Analysis 1.1

1. Why do you think so many of the biggest businesses in the world are involved in oil and gas operations?

Answers might include:
• High initial investment deters new entrants.
• Large economies of scale (i.e. cost advantages from producing on a large scale) making it difficult for new, smaller entrants to compete with established firms.
• Global markets so an incentive and possibility of expansion to mass produce.

2. Why do you think so many are from the USA or China?

Answers might include:
Very big domestic markets so companies often expand locally; they benefit from economies of scale (i.e. once infrastructure is set up they can spread the fixed costs over more and more units to reduce the average costs) which enables them to compete internationally.
3. Can you think of other industries that tend to have large companies?

*Answers might include:*
Car, pharmaceuticals, tobacco—again industries with global markets and the opportunity for big economies of scale.

**p15.**

**Business Analysis 1.2**

What do you think are the possible business implications of the demographic data above for US and Chinese businesses?

*Answers might include:*
This would affect:
- The labour market e.g. the size of the potential labour force and the age composition of the workforce. This will affect supply and economic growth.
- Demand patterns e.g. for different age groups.

**p17.**

**Business Analysis 1.3**

1. Do you think markets promote morality?

*Answers might include:*
If unregulated there is the danger that in pursuit of profits managers may be immoral. The free market encourages many positives such as creativity, innovation and better customer service to meet the needs of customers BUT given that investors retain the rewards they may, in some instances, do whatever it takes to increase profits.

2. Do you think cooperatives are desirable?

*Answers might include:*
May encourage greater fairness in terms of what happens to rewards and how members are treated. However, it may depend on whether it produces the efficient, the speed of decision making necessary to remain competitive.

**p19.**

**Think about it 1.5**

1. What are the main economic issues being debated at the moment?

*Answers might include:*
It will depend on the student’s country and what is in the news at the moment.

2. What do you think are significant changes that have occurred in your economy over the last five years?

*Answers might include:*
- Long term effect of the recession
- Euro crisis
• Banking crisis
• Debate over austerity measures by the government

p21.
Business Analysis 1.4

Identify the various factors in Cuba's external environment that might have hindered the growth of the Cuban economy.

Answers might include:
• Over regulation making decision making slow and inefficient.
• Lack of incentive to be innovative or creative because rewards go to the government.
• Complacency as individuals and businesses feel protected from competition.

p22.
Think about it 1.6

Which of the following do you think are microeconomic matters and which are macroeconomic?

The causes of unemployment = MACRO
The value of the pound sterling compared with other currencies = MACRO
The salaries of employees in the advertising industry = MICRO
The output of the chemical industry = MICRO
The growth of the Malaysian economy = MACRO

Suggested Answers to Short Answer Questions

1. Micro focuses on individual markets; macro focuses on the whole economy.
2. This refers to factors outside of the business that impact on its activities such as the economy and the political and legal system.
3. PESTEL is a way of categorizing factors in the external environment; it can refer to Political, Economic, Social, Technological, Environmental and Legal issues.
4. This will depend on which country and the date.
5. This will depend on the country and the date.
6. This will depend on the country and the date.
7. Interest rates, inflation, exchange rates, national income.
8. To understand the impact on costs and demand.
9. Depends on the economy; the UK is mainly service based.
10. Private involves businesses owned by individuals; in the public sector organizations are owned by the government.