

1. The government for Country A has changed the following economic policies:

- Increased income tax rates
- Reduced corporation rates
- Raised interest rates

What is the effect of these changes on the following businesses:

a. Firm A manufactures cell phones. Many of these are exported. The business has expanded recently and has borrowed large sums of money from banks.

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b. Firm B produces flour for bakeries. It buys its wheat from other countries.

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Which business will be most affected?

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(8)

2. Firm X wants to import raw materials for the manufacture of its cars in Country C. The government has decided to increase import quotas and import tariffs on all imported material.

a. What does "increase import quotas and import tariffs" mean?

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(3)

b. Why would Country C decide to do increase import quotas and tariffs?

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(2)

c. What would be the impact on the sales of Firm X if the country implemented those laws?

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(3)

3. Employees of Firm FET that produces clothes are complaining about unfair discrimination and that some of them are not getting paid minimum wage in the work place. Some of them have been complaining to their trade unions and there is pressure on the business to change its ways. The workers say, however, that there are very strict health and safety regulations in the business.

a. What is meant by unfair discrimination?

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(2)

b. Why would the workers complain about the following:

i. Getting paid less than the minimum wage:

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ii. Unfair discrimination:

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(4)

c. Do you think that the management and owners of Firm FET are treating their workers fairly? Explain your answer.

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