

Business Cycle & Growth

-Student Notes

Directions:

Fill in the blanks.

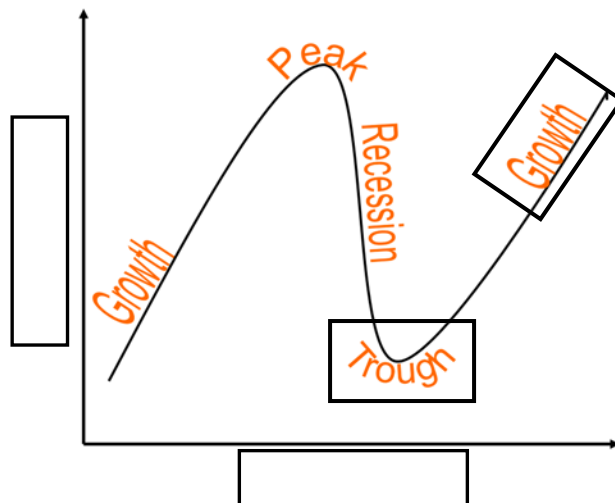
1. The Juglar Cycle

- Was invented by the French physician and statistician Clemente Juglar
- Was the first identified _____ pattern within the economy
- _____ the business cycle occurring every eight to 11 years
- Is often referred to as “The Business Cycle”

2. The Business Cycle

- Explains the fluctuations in economic activities
- Represents the _____ of expansion and contraction in the economy over long periods of time
- Divides into four parts:
 - growth
 - peak
 - _____
 - trough

3. The Business Cycle



4. Growth

- May also be called _____ or recovery
- Occurs when _____ increases in the key measurements of aggregate economic activities are present

Aggregate: sum or whole amount of something

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5. Growth

- Accounts for the increase in _____ among companies toward full production
- Causes a rise in _____ before full employment and production is attained

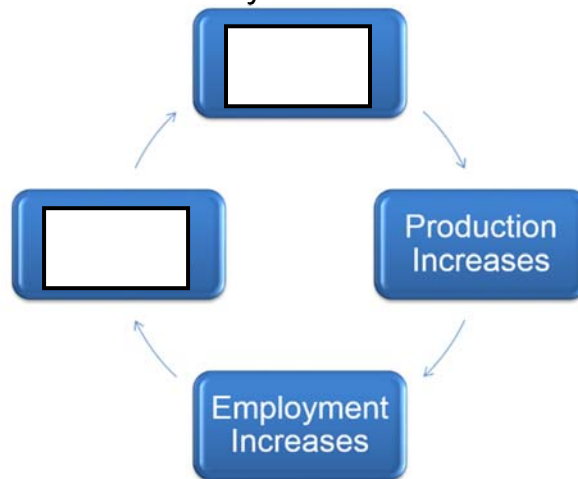
Productivity: measurement of physical output for each unit of input used, usually referring to labor hours.

6. Aggregate Economic Activities

- Are measured in terms of:
 - employment
 - _____
 - sales
 - productivity

7. Growth

- Can be viewed as a virtuous cycle



8. Causes of Growth

- Include the following:
 - business is newly formed
 - more _____ of the business are opened
 - need for the product _____ or is created
 - introduction of new or improved product

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9. Operations

- Should focus on the _____ within a business to aim for potential growth
 - keeping employees motivated
- Involves effective management
 - important to create employment and profit benefits to provide potential growth and _____ activity for a business

10. Organization

- Plays a large role in the success of growth in a business
- Establishes organizational structures
 - work to lay out the _____ of a company to assign each person a task
 - someone is put in charge of each _____ of the company
 - ensures everything will be done in a timely manner

11. Growth Strategies

- Are methods companies use to expand their business in terms of customer groups and _____ functions
- Can be horizontal or vertical
- Include:
 - market penetration
 - _____ expansion
 - product expansion
 - diversification
 - acquisition

12. Horizontal Growth

- Is a strategy which _____ a company by opening more locations
- Involves:
 - increasing customer _____ by going after more business
 - adding new products

13. Vertical Growth

- Is a strategy which looks to _____ on different points in the supply chain Involves:
 - focusing on the current customers
 - developing new products/services to _____ to present customer base

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14. Market Penetration

- Is trying to increase the _____ of a company's products by its current customers
- Works to:
 - maintain/grow market share
 - become the _____ player
 - drive out competitors

15. Market Expansion

- Involves selling the current products in a new market
- Is used when:
 - competition _____ and there may be no room for growth
 - companies find more uses for their _____

16. Product Expansion

- Involves _____ the line of products by adding new features in hopes of increasing sales and profits
- Works to:
 - update products when _____ ones become outmoded
 - usually works well when technology begins to change

17. Diversification

- Involves selling new products to new markets
- Usually involves _____ to ensure the new customers will like the products
- Can be _____ to a company

18. Acquisition

- Is when a company purchases another company to broaden their operations
- Can be used for _____ companies to extend their product lines and enter new markets
- Can present risks, but not as much as _____
 - products and markets are already established

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19. The Peak

- Accounts for the time when business activity has reached a maximum, including:
 - full employment
 - level of _____ at or near capacity
- Often causes higher prices
- Acts as a _____ point from growth to recession

20. Causes for the Peak

- Include the following:
 - _____ in the economy
 - sudden need or want of the product
 - _____ of product rises
 - product is unique for the time being

21. Recession

- May also be referred to as contraction
- Follows the peak
- Is commonly defined as two _____ quarterly declines in gross domestic product
- Accounts for a _____ in:
 - total output
 - income
 - employment
 - trade

22. Gross Domestic Product

- Is the total market _____ of all goods and services produced within the borders of a country during a _____ time period

23. Recession

- Occurs in all companies
- Rarely causes price level to fall
 - unless severe and _____, as in a depression
- Differs from depression
 - depression occurs when GDP drops by more than 10 percent while a _____ experiences a less severe drop

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24. Causes of Recession

- Include the following:
 - product falls behind in _____, technology or want
 - value of the dollar declines
 - customer _____

25. The Trough

- Marks the _____ levels during a recession
- Accounts for the _____ amount of output and employment
- May be short or long lived

26. Causes of the Trough

- Include the following:
 - product is severely _____
 - need or want for the product is at an all time low
 - product has not changed over time
 - many customers already _____ the product

27. Exit Strategies

- Are plans developed by business owners to leave their business
- Are important for knowing the _____ plans of a business
 - for example: if a business wants to be _____ on the stock market, it will have to follow specific accounting regulations from the start

28. Exit Strategies

- Should be developed while determining business plans
- Can include:
 - _____ the business
 - going _____
 - liquidating the business

29. Selling the Business

- Can allow for an _____ exit from a business, which detaches the owner from the business and gives them the money from the sale
- Is most likely used when:
 - the business is becoming a _____ for the owner to control on their own
 - the owner wants to diversify the worth of the business over multiple properties

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30. Selling the Business

- Allows the owner to:
 - _____ for equity in the buying company
 - earn _____ afterward

Equity: the value of shares which are issues by a company

Dividends: distribution of a share of the company's earnings to its shareholders

31. Going Public

- Entails offering _____ of a company to the public market
- Is most likely used when:
 - the business is challenged with an opportunity to grow
 - the success of the business is _____

32. Going Public

- Can _____ exit options for a business owner
 - when shares are traded in public markets, it is difficult for the business owner to keep more than 50 percent of stocks
 - owners lose _____ when the company is public

33. Liquidating the Business

- Is shutting down the company and _____ the business doors
- Is used when the _____ the owner invested in could implode

34. Liquidating the Business

- Is most likely used when:
 - the success or growth of a business has come to a halt
 - personal issues arise with the business owner and there is no buyers interested in _____ the business
- Can be looked at as a “last resort”
 - owners almost never receive the full value of their company using this _____

35. Business Cycle Indicators

- Are used to _____ changes in the economy of a country
- Help predict peaks and _____ within business cycles

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36. Business Cycle Indicators

- Account for reports comprised of _____ data which are studied by economists
- Should not be _____ to always accurately predict changes in the economy

37. Business Cycle Indicators

- Include the following factors:
 - labor force
 - wages, _____ costs and productivity
 - exports and imports
 - national defense
 - personal incomes and consumer _____
 - output, production and capacity utilization