

# Business Cycle & Growth

-Student Notes

*Directions:*

Fill in the blanks.

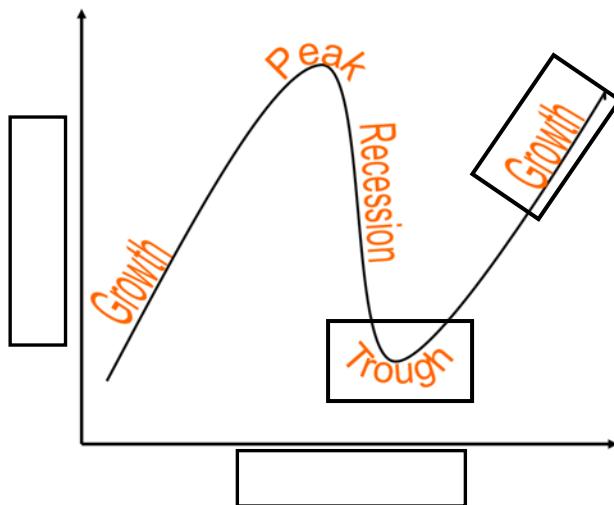
## 1. The Juglar Cycle

- 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

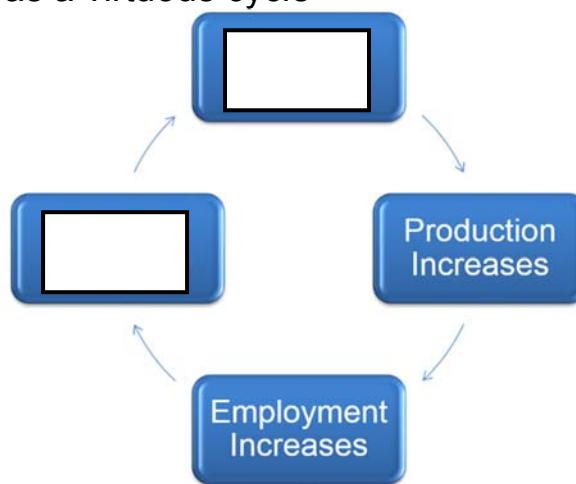
Productivity: measurement of physical output for each unit of input used, usually referring to labor hours.

## 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 issued 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