# Teacher guide

## Downturn and recession - CIMA


### Where does the lesson fit?

This session would ideally fit in a Business Environment module, and be used in conjunction with the Recovery and Boom lesson resources.

**Suggested resources & activities** related to the business cycle and CIMA

- Full CIMA case study
- Downturn and recession PowerPoint
- Recovery and Boom lesson resources
- CIMA crossword
- CIMA word search

### Suggested timings for the session

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|---|---|
| 10 mins | Starter e.g. CIMA wordsearch |
| 10 mins | Use the Downturn and Recession PowerPoint to discuss the topic |
| 5 mins | Read the case study |
| 10 mins | Answer the questions |
| 15 mins | Task – draw and annotate a business cycle |
| 10 mins | What have you learned? |

### Answers to questions

1. What is the definition of a recession?
   A recession is two or more successive quarters of negative economic growth.

2. Describe the factors that might make the economy move into a downturn in the business cycle.
   Factors might include:
   - High inflation which may cause uncertainty as costs rise and prices are difficult to predict. High prices cause businesses to become uncompetitive.
   - Government increasing taxes to attempt to control demand when inflation is high.
   - Bank of England raising interest rates, again to control inflation.

3. Explain the actions firms may take during a recession.
   During a recession, firms may:
   - Reduce costs e.g. through making redundancies, reducing the number of outlets they operate.
   - Focus on profitable activities.
   - Sell off assets such as equipment and buildings.
   - Identify opportunities for current or future growth.

4. Analyse why management accountants might look for growth opportunities during a recession.
   Management accountants may look for growth opportunities during a recession because:
   - It will be easier to deal with growing demand when the economy starts to recover.
   - Good deals may be available during recession because equipment or entire businesses may be cheaper than during a boom.

**What have you learned?**

Expected learning would include:

- GDP is gross domestic product, which is the value of all goods and services produced in an economy over a given period of time (usually a year),
- GDP is a measure of growth.
- Fluctuations in economic growth are called the business cycle
- The business cycle has four phases: boom, downturn, recession and recovery.
- Recession is characterised by low demand, high unemployment, few business start-ups and many business failures, little investment.
- Governments may reduce taxes or increase government spending to encourage greater demand during a recession.
- Bank of England may reduce interest rates during a recession to stimulate demand.