THE TIMES 100
BUSINESS CASE STUDIES

Teacher guide

Recovery and boom - CIMA

Where does the lesson fit?

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

Suggested resources & activities related to the business cycle and CIMA

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

Suggested timings for the session

10 mins	Starter e.g. CIMA crossword
10 mins	Use the Recovery and Boom 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 economic growth?
   Economic growth is the term used to describe the situation when the GDP of an economy is rising.

2. Describe the possible causes of recovery in the business cycle.
   Possible causes of recovery include:
   - reduced taxes and increased investment in the economy by the government, perhaps by improving infrastructure
   - Bank of England reducing interest rates.

3. Explain why boom times might be difficult for firms who are trying to recruit new employees.
   It may be difficult to recruit during boom times because unemployment is low so there is a much smaller pool of available workers to choose from. Firms may try to attract employees from other firms, but may have to offer higher salaries and better remuneration packages to do this, thereby increasing costs.

4. Analyse why management accountants may promote a cautious approach to investment opportunities during boom periods in the business cycle.
   Caution during boom periods is advisable because:
   - high demand and increased costs leads to inflation
   - firms need to consider long term business growth rather than concentrating on short- term profits that booms can provide
   - any investment opportunity will carry risk, so careful assessment of these risks is necessary. Firms may be tempted to invest during boom periods without assessing the potential costs and benefits.

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.
- Booms are characterised by high employment, high demand, many business start-ups, lots of investment...all of which can lead to high inflation
- Increased taxation and interest rates, along with reduced government spending, may be adopted to control the demand during a boom if inflation increases too much.