Economics - Globalisation and Business Cheat Sheet

by baker_fam via cheatography.com/203284/cs/43281/

Globalisation Definition

The process of international integration from the interchange of products, ideas, and other aspects of culture.

building a worldwide network of communication, transportation, and trade.

The way countries and people of the world interact and integrate

History (Past) of Globalisation

Early example of globalisation is **Silk Road** when trade routes were connected across **Asia, Europe and Africa**.

The **Industrial Revolution** further progresses globalisations in the **18th and 19th century**.

Formation of **international organisations** e.g., United Nations, helped further increase globalisation

Multinational Corporation - MNC

A multinational corporation has business offices and operations in two or more countries.

It generates revenue outside of its home country

These companies are often managed from a central office headquartered in the home country.

Example of an MNC

The East India Company, established in 1600 was an early multinational corporation.

McDonalds is a decentralised Multinational Corporation - Each franchisee globally operates as an individual owner

Why become an MNC?

To **increase profits and growth**

Increase global **customer base and increase market share**

Global **exposure**

Companies can benefit form **tax structures or laws** in other countries

Key features of an MNC

Global business presence

Business conducted in **various languages**

More **complex business models**

Jobs created in foreign countries

Pays **taxes** in other countries

Market definitions

market	The area of economic activity in which buyers and sellers come together and the forces of supply and demand affect prices.
Bond market	The bond market offers opportunities for companies and the government to secure money to finance a project or investment.
Stock market	The stock market trades shares of ownership of public companies.

Market Price definition

At the market price, quantity demanded by consumers should equal the quantity supplied by producers

Market Price and Quantity

The **market Price** and **market quantity** are found where the demand and supply lines **intersect** on a supply and demand graph

Different sectors of the economy

Household sector	They provide their time and skills or **labour** (a resource) to Firms in exchange for **income (wages)**
Financial sector	They receive **savings** from households and firms
Government sector	They receive **taxation** revenue from households and firms in the form of income tax and company tax

Financial records

What financial information do businesses need to make decisions	**The balance sheet** provides valuable information about your business' liquidity, financial stability, and capital structure. Analysing your balance sheet will help you assess your business' ability to meet its short-term and long-term obligations and evaluate its overall financial position.
How do businesses use financial information to make decisions.	The financial position of a business is crucial to all decisions that it makes. Using financial information, a business should be able to identify what options it can afford when making decisions. This financial data can be used to forecast how decisions might affect the business' cash flow.

Types of Globalisation

Economic Globalisation	How countries work and trade together as one **big global economy**, making **international trade** easier.
Political Globalisation	How institutions and countries can influence the whole world. the **United Nations** is an example of a globalised institution.
Cultural Globalisation	How cultures across the world intersect and act in a similar way.
Digital Globalisation	How nations share **data, information and knowledge** of **digital platforms**.

Advantages and Disadvantages of Globalisation

Advantages	**Disadvantages**
Opportunities to do business with other countries	Struggle to keep up with competition
Reduced costs in manufacturing and trade	Closure of local businesses because of global competitors
Increase in trade and employment	Loss of employment
Access to new technologies and products	Complex international trading laws
Exposure to new cultural experiences	

Types of Multinational Corporations

Decentralised Corporation	Has an **office in home country** and other offices that **operate individually globally**.
Centralised Corporation	Has a **central headquarters in home country** and offices that **report to the head office**

Supply and Demand - Demand Defintion

The **amount of a good or service** a **consumer is willing and able** to **buy** at different prices.

Supply and Demand definitions

Supply Schedule	A table that summarizes supply
Demand Schedule	A table that summarises demand
Profit	Income produces get for goods and services, less their business expenses

Supply - Producer

How much a good or service a **producer** is **willing or able** to **sell** at different

Demand Schedule

Summaries the quantity demanded of an item by price
Orders the quantity demanded on an item by price, lowest to highset
Helps with market research

Consumer - Demand vs Affordability

A consumer will buy less of a product when it becomes more expensive
A consumer must be willing and able to buy a product
A consumer must be able to afford a product
The demand in a product might go down, if a consumer can find a cheaper product

Circular flow model definition

Households and firms rely on one another as they exchange labour for income and goods and services for payments for those goods and services.

What is an income statement

An income statement is a financial statement that shows you the company's income and expenditures. It also shows whether a company is making profit or loss for a given period. The income statement, along with balance sheet and cash flow statement, helps you understand the financial health of your business.

How do businesses use a income statement

An income statement helps business owners decide whether they can generate profit by increasing revenues, by decreasing costs, or both. It also shows the effectiveness of the strategies that the business set at the beginning of a financial period.

Balance sheet

What is a balance sheet	The term balance sheet refers to a financial statement that reports a company's assets, liabilities, and shareholder equity at a specific point in time. Balance sheets provide the basis for computing rates of return for investors and evaluating a company's capital structure.