Interest Rates and Businesses

**Section A**

Answer these questions, based on what you have covered so far in the lesson. You can write on the sheet for this section:

1. Define 'CREDIT'.
2. Give 2 reasons why credit is good for business.
3. Identify 3 types of credit.
4. Give three ways a business can prove it is 'credit-worthy'
5. Define 'INTEREST RATE'.
6. What are the two main groups who are affected by interest rates?
7. What is the Base Rate and who sets it?
8. Why are the interest rates set by high street banks different to the base rate?

**Section B**

Please answer the following to *explore* the *impact* of changing interest rates on businesses. Use lined paper to answer this section, unless asked otherwise:

1. Look at the following slide. For each scenario, shown by the 4 different rows, follow the argument through and explain the repercussions.



1. Using the internet, research what the current base rate is, and what the base rate has been set at over at least the last 50 years.
N.B. if you can find out what the base rate has been over a longer period that the last 50 years, then all the better.

Print or save your findings.

1. Give 3 examples of industries or businesses that will be the **worst** affected by an **increase** in interest rates. Explain your reasons for choosing them.
2. In your opinion, who suffers more from an increase in interest rates: Businesses or consumers. Explain your answer.