**Government Influence on Business**

**Key Terms**

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| **Fiscal Policy:** | Using changes in taxation and Government expenditure to manage the economy. |
| **Monetary Policy:** | Using changes in interest rates and money supply to manage the economy. |
| **Regional Policy:** | Designed to solve regional problems such as unemployment, congestion and income inequality. |
| **Direct taxes** – | Taxes paid directly to the government, for example by employees from their income. |
| **Indirect taxes** – | Taxes on Spending. E.g., VAT is added to the price of most goods. |
| **Corporation Tax:** | A tax on a company’s profit |
| **Gross Domestic Product (GDP)** | the total value of goods and services produced by a country |
| **Inflation** – | a general increase in the level of prices in a Country |

Questions:

1. The Uk have lowered their Direct and indirect tax in the year 2015. How will this affect demand for products and services in the UK? (3)

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1. A run down area in London has a high level of unemployment. The Uk Government are now offering Grants to businesses who open their business in that area.

What policy is this?

A) Fiscal

b) Monetary

C) Regional

1. The Banks in the UK have increased Interest rates by 5%. How will this affect:
2. Peoples spending in the UK
3. Tesco (UK Supermarket)
4. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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