

4 (a) Explain **two** possible effects on TSE of the business cycle in country P moving into the recession stage.

Effect 1: .....

Explanation: .....

Effect 2: .....

Explanation: .....

[8]

(b) Using Appendix 3 and other information, consider the extracts from the income statements for the **two** companies in country P. Which company should TSE take over? Justify your answer using suitable calculations.

Company A: .....

Company B: .....

Recommendation: .....

[12]