

INTERNATIONAL BUSINESS AND TRADE QUIZ ANSWERS

Chapter 5 Pre/Post Test – Modes of Entering International Business

1. Like mergers, acquisitions are actions through which companies seek economies of scale, efficiencies and enhanced market visibility. **True**
2. It is difficult to do business in a country where there are no strict legal standards for product and environment safety. **False**
3. Vertical merger: A customer and company or a supplier and company. Think of a cone supplier merging with an ice cream maker. **True**
4. Another type of acquisition is a reverse merger, a deal that enables a private company to get publicly-listed in a relatively short time period. **True**
5. Mergers and acquisitions (M&A) and corporate restructuring are a big part of the corporate finance world. **True**
6. A strategic alliance is when two or more businesses join together for a set period of time. The businesses, usually, are not in direct competition, but have similar products or services that are directed toward the same target audience. **True**
7. Horizontal merger: Two companies that are in direct competition and share the same product lines and markets. **True**
8. The market for a number of products tends to saturate or decline in the advanced countries. This often happens when the market potential has been almost fully tapped. **True**

9. Franchising is basically a specialized form of licensing in which the franchiser not only sells intangible property to the franchisee, but also insists that the franchisee agree to abide by strict rules as how it does business. **True**
10. Merger and acquisition is often known to be double terminology defined as a process of combining two or more companies together. **False**
11. One of the first mover advantages is to ride the experience curve ahead of the rivals and capture demand by creating a solid brand name. **True**
12. Economic and political risks are not independent of each other, but they influence each other. **True**
13. The choice of the nation which a businessman wants to enter would probably depend on immediate short-term benefits. **False**
14. Whenever a firm wants to enter an international market, it should be on a high scale with high impact on the host country. **False**
15. Distributors buy the product from the manufacturer and so take the market risk on unsold products as well as the profit. **True**
16. In the Japan, for example, the number of several consumer durables like cars, TVs etc. is almost equal to the total number of household. **False**
17. Direct marketing is nothing but face-to-face marketing. **False**
18. A joint venture is a strategic alliance where two or more parties, usually businesses, form a partnership to share markets, intellectual property, assets, knowledge, and, of course, profits. A joint venture differs from a merger in the sense that there is no transfer of ownership in the deal. **True**

19. Pioneering costs arise when an international firm, in attempt to gain the first mover advantage, spends considerable time to learn the systems of the host country. **True**
20. In an acquisition, as in some of the merger deals we discuss above, a company can buy another company with cash, stock or a combination of the two. **True**

Chapter 5 Quiz

1. **DIRECT INVESTMENT**: In this a firm invests directly in facilities to produce and/or market a product in a foreign country.
2. **FOREIGN DIRECT INVESTMENT**: takes on two main forms; the first is a green field investment, which involves the establishment of a wholly new operation in a foreign country.
3. **DIRECT MARKETING**: The business of selling products or services directly to the public, e.g., by mail order or telephone selling, rather than through retailers.
4. The term **EXPORT** is derived from the conceptual meaning as to ship the goods and services out of the port of a country. The seller of such goods and services is referred to as an “exporter” who is based in the country of export whereas the overseas based buyer is referred to as an “importer”.
5. **EXPORT AGENT**: An intermediary who acts on behalf of a company to open up or develop a market in a foreign country.
6. A **JOINT VENTURE** is a strategic alliance where two or more parties, usually businesses, form a partnership to share markets, intellectual property, assets, knowledge, and, of course, profits.
7. **EXPORTS**: It refers to selling goods and services produced in home country to other markets.
8. **JOINT VENTURES**: A contractual agreement joining together two or more parties for the purpose of executing a particular business undertaking.
9. The three basic **STRATEGIC DECISIONS** that make a firm contemplating foreign expansion are:

(a) which markets to enter, (b) when to enter those markets, and (c) on what scale.

10. In most cases, the **MANUFACTURER** will also handle the ordering and shipment processes for the client.
11. The **FRANCHISER** will also often assist the franchisee to run the business on an ongoing basis.
12. **THROUGH FOREIGN DIRECT INVESTMENT** a firm invests directly in facilities to produce and/or market a product in a foreign country.
13. **CONTRACT MANUFACTURING** is a process that established a working agreement between two companies. As part of the agreement, one company will custom produce parts or other materials on behalf of their client.
14. **FRANCHISING** is basically a specialized form of licensing in which the franchiser not only sells intangible property normally a trademark to the franchisee, but also insists that the franchisee agree to abide by strict rules as how it does business.
15. In case of **CONTRACT MANUFACTURING** the businessman does not have to hire a facility or labour in order to get finished goods.
16. **FRANCHISING**: A specialized form of licensing in which the franchiser not only sells intangible property normally to the franchisee, but also insists that the franchisee agree to abide by strict rules as how it does business.
17. Contract manufacturing works only if the company gets involved with the **RIGHT** company.

18. A **STRATEGIC ALLIANCE** is when two or more businesses join together for a set period of time.

19. The businesses in **STRATEGIC ALLIANCE** usually, are not in direct competition, but have similar products or services that are directed toward the same target audience.

20. **CONTRACT MANUFACTURING**: It is a process that established a working agreement between two companies.

Chapter 6 Pre/Post Test – Foreign Direct Investment

1. FDI includes inter-company debt transactions. **True**
2. FDI contribute to the GDP and economic growth of the host country. **True**
3. A new software firm would prefer to set up its Application software research centre in a developing country like India. **False**
4. China and India are likely to receive high FDI in future as they have high purchasing power parity. **True**
5. Infrastructure of a country plays a critical role in a selection of site of a company. **True**
6. Organizations like to invest in countries where there is a stiff competition. **False**
7. Governments of developing nations are attracting FDI along with the technology and management skills that accompany it. To attract multinational companies, governments are offering tax holidays, import duty exemption, subsidised land and power and many other incentives. **True**
8. The costs of FDI to the home country include adverse balance-of-payments effects that arise from the initial capital outflow and from the import substitution effects of FDI. Costs also arise when FDI exports jobs abroad. **False**
9. The benefits of FDI to the home (source) country exclude improvement in the balance of payments as a result of the inward flow of foreign earnings, positive employment effects when the foreign subsidiary creates demand for home country exports

- and benefits from a reverse resource-transfer effect. **False**
10. A reverse resource-transfer effect arises when the local subsidiary learns valuable skills abroad that can be transferred back to the home country. **False**
 11. The costs of FDI to a host country include adverse effects on competition and balance of payments and a perceived loss of foreign sovereignty. **False**
 12. The benefits of FDI to a host country arise from resource-transfer effects, employment effects, balance of payments effects, and its ability to promote competition. **True**
 13. Liberalization is the sole reason to attract FDI. There are many other determinant of FDI, India may lagging there like demand conditions, factor conditions, supporting industries and firm strategy. **False**
 14. Foreign direct investment occurs when a firm invests directly in facilities to produce a product in a foreign country. It also occurs when a firm buys an existing enterprise in a foreign country. **True**
 15. The effects of FDI on employment are both direct and indirect. Direct efforts arise when a foreign MNE employs a number of host-country citizens. Indirect effects arise when jobs are created in local suppliers as a result of investment and when jobs are created because of increased local spending by employees of the MNE. **True**
 16. FDI can make a positive contribution to a host economy by supplying capital, technology, and management resources that would otherwise not be available and thus boost that country's economic growth rate. **True**

17. Technology cannot stimulate economic development and industrialization. It can take two forms, both are valuable. Technology can be incorporated in a production process or it can be incorporated in a product. **False**
18. According to the International Monetary Fund, foreign direct investment, commonly known as FDI, "... refers to an investment made to acquire lasting or long-term interest in enterprises operating outside of the economy of the investor." **True**
19. FDI is a major source of external finance which means that countries with limited amounts of capital can receive finance beyond national borders from wealthier countries. **True**
20. Foreign Direct Investment (FDI) is defined as an investment made by an investor of one country to acquire an asset in another country with the intent to manage that asset. **True**

Chapter 6 Quiz

1. Increased **COMPETITION** tends to stimulate capital investments by firms in plant, equipment, and R&D.
2. **MULTINATIONAL COMPANIES** are a part of the Indian economy since the British period either as a wholly owned subsidiary or as a joint venture. They played a critical role in the development of the automobile industry, two wheeler industry, mining, petroleum, FMCG, etc.
3. Technology can be incorporated in a production process or it can be incorporated in a **PRODUCT**.
4. The **FLOW** of FDI refers to the amount of FDI undertaken over a given time period (normally a year).
5. **CROSS INVESTMENT THEORY**: It has been advocated by EM Graham
6. **GDP**: The monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis.
7. **THE INTERNALIZATION THEORY**: It is an extension of market imperfection Theory.
8. **MONOPOLISTIC ADVANTAGE THEORY**: It has been advocated by Stefan Hymer.
9. **LIBERALIZATION**: The removal of or reduction in the trade practices that thwart free flow of goods and services from one nation to another.
10. The **STOCK** of FDI refers to the total accumulation of foreign owned assets at a given time.

11. **BALANCE OF PAYMENTS**: The difference between the payments made to foreign nations and the receipts from foreign nations in a given period.
12. The **AUTOMATIC ROUTE** for FDI and/or technology collaboration is not available to those who have or had any previous joint venture or technology transfer/trademark agreement in the same or allied field in India.
13. In India, FDI was opened in the true sense in the year **1991** post liberalization.
14. **CURRENT ACCOUNT DEFICIT**: It is when a country's government, businesses and individuals imports more goods, services and capital than it exports.
15. **PORTFOLIO INVESTMENT**: The purchasing of assets in the stock market of another country.
16. **PRODUCT AND FACTOR MARKET IMPERFECTION**: It hypothesizes that the ability of firms to differentiate their products – particularly high income consumer goods and services.
17. **STOCK OF FDI**: It refers to the total accumulation of foreign owned assets at a given time.
18. **FDI**: Investment made by an investor of one country to acquire an asset in another country.
19. **FLOW OF FDI**: It refers to the amount of FDI undertaken over a given time period (normally a year).
20. With regard to employment effects, the most serious concerns arise when FDI is seen as a

substitute for **DOMESTIC PRODUCTION** in the home country.

Chapter 7 Pre/Post Test – Globalization

1. There are multiple reasons why companies go global like: (i) Profit advantage, (ii) domestic demand constraints, (iii) competition, (iv) government policies, (v) availability of resources, etc. **True**

2. Foreign direct investment occurs when a firm invests resources in business activities outside its home country. **True**

3. In simple words, globalization means moving towards an interdependent local economy. **False**

4. Globalization of market and production has become minor driving force behind globalization. **False**

5. The efforts of the IMF, the World Bank and the WTO along with the efforts of individual countries led to globalization of business. In fact, the term ‘International Business’ has emerged from ‘International Marketing’, which in turn, emerged from the term ‘export marketing’. **True**

6. Regular foreign marketing: At this level, the firm has permanent productive capacity devoted to the production of goods to be marketed in foreign markets. **True**

7. The meaning of globalization varies according to how one approaches the subject and even how one feels about it. Definitions will also vary according to the social actor defining it (e.g., worker, employer, government official), on the adopted perspective (e.g., historical, economic, legal, sociological, etc.) and on the ideological orientation of the people or institutions who use the term. Because the definition

of globalization is not settled, defining the term is itself a subject of some debate. **True**

8. Business is decreasingly becoming international or global in its competitive environment, orientation and strategic intent because of the facts like the competition, liberalization and globalization, etc. **False**

9. WTO has in many ways made it possible for smaller countries to have leverage for their internal development with its clause on the “principle of reciprocity”. **False**

10. Corporations are today changing their strategies and are reorganizing their functions to cope up with the changed scenario. Whether, it is their production process or location, product strategy, marketing, finance, HR policies, etc. **True**

11. World Trade Organization now administers international trade and investment accords. **True**

12. The fast changes in technology have helped in rapid globalization. **True**

13. Globalization has made a big world smaller. Globalization affects trade, finance, production, communications, and technological change. When we look at the world map, we need to think about how this global community of people and nations is being systematically drawn closer together. **True**

14. The most global markets are not markets for consumer products – where global differences in tastes and preferences are still often important enough to act as a brake on globalization – but markets for industrial goods and materials that serve a universal need the world over. **False**

15. The efficiency of the UN system is measured more by paper work than operation and real work. **True**

16. The prolonged recession before the World War II in the West, led to an international consensus after the World War II in the west, led to an international consensus after the World War II that a different approach towards international trade is needed. **True**

17. International organizations are generally prone to the duplication of projects and mission objectives. **True**

18. International organizations are generally prone to the duplication of projects and mission objectives. **True**

19. No direct foreign marketing: A company in this stage does not actively cultivate customers outside national boundaries; however, this company’s products may reach foreign marketing. **True**

20. With technological developments and relaxation on rules and regulations on international business most of the companies are entering into national market. **False**

Chapter 7 Quiz

1. **OUTSOURCING**: Any task, operation, job or process that could be performed by employees within an organization, but is instead contracted to a third party for a significant period of time.
2. The **GLOBALIZATION OF MARKETS** refers to the merging of historically distinct and separate national markets into one huge global marketplace.
3. **MANDATE**: An official order or commission to do something.
4. **WORLD WIDE WEB**: A widely used information system on the Internet that provides facilities for documents to be connected to other documents by hypertext links, enabling the user to search for information by moving from one document to another.
5. **GLOBAL COMPANY**: A company which takes the whole world as a single market and it standardizes operations and its product worldwide in one or more of the firm's functional areas.
6. **INTERNATIONAL ORGANIZATIONS** are generally prone to the duplication of projects and mission objectives. This can lead to an over concentration efforts on a single subject or agenda, at the expense of other critical areas.
7. **INTERNATIONAL MARKETING**: It refers to marketing carried out by companies overseas or across Notes national borderlines.
8. **GLOBALIZATION**: Growing interdependence of countries.
9. India opened up the economy in the early **1990S**.
10. **INDUSTRIAL** revolution fuelled globalisation.
11. Globalization of **MARKETS** refers to the merging of historically distinct and separate national markets into one huge global marketplace.
12. At the **GLOBAL MARKETING LEVEL**, the most profound change is the orientation of the company toward markets and associated planning activities.
13. Globalization integrates not only economies but also **SOCIETIES**.
14. The differences in taste and preferences in different markets indicate the differences in **CONSUMER BEHAVIOR** in different countries.
15. India's liberalisation policy was followed by a major **FOREIGN EXCHANGE** crunch.
16. **GLOBALIZATION OF MARKETS**: It refers to the merging of historically distinct and separate national markets into one huge global marketplace.
17. One of the major flag bearers of India's globalization drive is **BPO/OUTSOURCED IT**.
18. Income levels and usage patterns are used as basis for market **SEGMENTATION**.
19. At **REGULAR FOREIGN MARKETING** level, the firm has permanent productive capacity devoted to the production of goods to be marketed in foreign markets.
20. **PRINCIPLE OF RECIPROCITY**: It states that favours, benefits, or penalties that are granted by one state to the citizens or legal entities of another, should be returned in kind.

Chapter 8 Pre/Post Test – World Trade Organization

1. In a nutshell, the WTO helps developing and transition economies, helps in economic policy-making, taking information, giving information to public, encouraging development and economic reform. **True**

2. India has reduced tariffs and eliminated Quantitative Restrictions on imports. **True**

3. Of all rounds of GATT talk, the most important was the seven set, the Uruguay Round of negotiations that began in 1986 and concluded in September 1993. **False**

4. WTO has also special provision for developing countries. India is also influenced by the WTO. Almost all the industries will be influenced by it directly or indirectly. **True**

5. About two thirds of the WTO, around 550 members are developing countries. Developing countries are a highly diverse group often with very different views and concerns. The WTO deals with the special needs of developing countries by preferential treatment. **False**

6. As one of the results of this Round, GATT became a part of WTO. **True**

7. The objective of GATT was that trade shall be conducted on a discriminatory basis, protection shall be afforded to domestic industries through customs tariffs, not through such commercial measures as import quotas, and consultation shall be the primary method used to solve global trade problems. **False**

8. The WTO agreements deal with various sectors like agriculture, textiles and clothing,

banking, telecommunications, government purchases, industrial standards and product safety, food sanitation regulations, intellectual property etc. **True**

9. The reasons for the crisis that occurred from time to time are now of historical interest. **True**

10. Major and instant impact will be on Agriculture, Pharmaceuticals, Information technology, Textiles and clothing, Liquor companies, and the services sector. **True**

11. The General Council convenes, as appropriate, to discharge the responsibilities of the Dispute Settlement Understanding as well as of the Trade Policy Review Body. These bodies may have their own chairman and establish rules of procedure, as they feel necessary, for the fulfilment of these responsibilities. **True**

12. Quantitative Restrictions (QRs) on imports are maintained on Balance-of-Payments (BOP) grounds but nation is reducing QRs gradually. **True**

13. India is one of the founding members of both GATT and WTO. **True**

14. The General Council delegates responsibility to three other bodies, namely the Councils for Trade in Goods, Trade in Services and Trade-Related Aspects of Intellectual Property Rights (TRIPS). **True**

15. The Seventh Round of GATT was known as Uruguay Round, 1986-93, and 123 countries participated. in this Round. After seven years of protracted negotiations of the eighth round of talks the decisions have been as under. **False**

16. A set of fundamental principles run throughout all of these documents. These principles are the foundation of the multilateral trading system. **True**

17. The revised version of the Anti-Dumping Code brings certain of its provisions, notably those concerning determination of injury, price undertakings between exporters and the importers, imposition and collection of anti-dumping duties, into line with the relevant provisions of the code on subsidies and countervailing duties. **True**

18. The rules of GATT applied to trade in goods and services. **False**

19. The Uruguay Round got its name from the Ministerial Conference launching the negotiations in September 1986, which was held in Punta del Este, Uruguay. **True**

20. The WTO functions on the basis of the following rules: Binding and Cutting of Tariff, Agriculture Rules and Policies, Standard and Safety, Textile Services, Trade Related Intellectual Property Rights, Anti-Dumping Measures and Countervailing Duties, Emergency Protection from Imports Surge, Non-Tariff Barrier, Pluri-laterals. **True**

Chapter 8 Quiz

1. Countries that were previously GATT members became WTO members by signing the **FINAL ACT OF URUGUAY ROUND** and concluding their market access negotiations on goods and services by the Marrakech meeting in 1994.
2. **MFN**: That principle of GATT which means treating one's trading partner equally on the principle of non-discrimination.
3. The Eighth Round of GATT was known as **URUGUAY ROUND**, 1986-93, and 123 countries participated in this Round. After seven years of protracted negotiations of the eighth round of talks the decisions have been as under.
4. **GATT**: It is a multilateral treaty among the member countries that lays down certain agreed rules for conducting international trade.
5. At the WTO, there are a few agreements which have only a few signatories. They were negotiated at the Tokyo Round and are known as "**PLURILATERAL** agreements".
6. **DUMPING** means selling the product at below the ongoing market price and/or at the price below the cost of production.
7. This Round was known as the **KENEDY ROUND**, 1964-67, and was attended by 62 participants.
8. **GATS**: This treaty was created to extend the multilateral trading system to service sector, in the same way the General Agreement on Tariffs and Trade (GAT T) provides such a system for merchandise trade.
9. Seventh Round. This Round was known as the **TOKYO ROUND**, 1973-79, and was attended by 102 participants.
10. **SUSTAINABLE DEVELOPMENT**: that meets the needs of the present without compromising the ability of future generations to meet their own needs.
11. The **SECOND CONFERENCE** for the negotiations was held at Annecy in 1949.
12. The **FIRST ROUND** of tariff negotiations, the Geneva Round, held in 1947 in Geneva from 10th April to 30th October 1947, was a part of the establishment of the GATT.
13. **WORLD TRADE ORGANIZATION**: It is a regulatory body that deals with the rules of trade between nations at a global or near-global level.
14. This Round was known as the **TORQUAY ROUND**, 1951, and the participants who attended this Round were 38 in number.
15. **NATIONAL TREATMENT** requires that once goods have entered a market, they must be treated no less favorably than the equivalent domestically produced goods.
16. **COUNTERVAILING DUTY**: Additional import duty imposed to offset the effect of concessions and subsidies granted by an exporting country to its exporters.
17. **MINISTERIAL CONFERENCE** is the highest authority at WTO and dominates the structure of WTO.
18. It was known as the **DILLON ROUND**, Geneva, 1960-61, and was attended by 26 countries.
19. The Fourth Round, known as the **GENEVA ROUND**, 1956, was attended by 26 countries.
20. **MINISTERIAL CONFERENCE**: It is the top decision making body of the World Trade Organization.