

MNI3701 (476362)
MNI301J (483854)

May/June 2014

GLOBAL BUSINESS ENVIRONMENT

Duration . 2 Hours

70 Marks

EXAMINERS :

FIRST : MS LA NTISO
SECOND : MR RA AREGBESHOLA
EXTERNAL PROF OO FATOKI

Closed book examination.

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This paper consists of **9 pages** including the cover page.

INSTRUCTIONS

SECTION A:

This section consists of **20 multiple-choice questions**, worth 1 mark each.

Answer section A on the **mark-reading sheet**.

Total marks for this section are **20 marks**.

SECTION B:

This section consists of **3 questions**.

Answer **Any 2 questions** of the **3 questions** on the **examination booklet**.

Total marks for this section are **50 marks**.

Please ensure that you have filled in the following information on the **mark-reading sheet**:

Your **student number**

The module codes are **MNI3701 (Unique number: 476362)** and **MNI301J (Unique number: 483854)**.

Question 4

What is the aim of economic union as a stage of economic integration?

1. To liberalise movement of regional production factors
2. To establish a common tariff and other trade policies towards a non-member countries
3. To abolish tariffs and non-tariff barriers between member nations
4. To harmonise the fundamental economic policies that affect among member nation

Question 5

The success of regional trade blocs and trade agreements depends on the following principles, **EXCEPT**:

1. Managerial and labour union capabilities are necessary
2. Members should be geographically close and have easy access to each other
3. Natural resources need to be available
4. An entrepreneurial culture is important

Question 6

The following are the determinants of economic freedom as deemed by Index of Economic Freedom, **EXCEPT**:

1. The rule of law, efficiency in the judiciary, and the ability to enforce contracts
2. The fiscal burden of government, which encompasses income tax rates
3. Labour market regulations, such as established work weeks and mandatory separation pay
4. Formal market activities excluding corruption, piracy and smuggling

Question 7

Culture is rooted in history and passed on from one generation to the next, implying that culture is bound to evolve and change over time. Which of the following implies that culture is relative?

1. Culture is not specific to individuals.
2. Cultures are different from one another to a greater or a lesser extent without any specific culture being superior or inferior, right or wrong
3. Culture is learned behaviour and is based on human capacity to change
4. Culture is transgenerational when transmitted from one generation to another, and intergenerational when transmitted from one member of society to another

Question 8

Religion generally influences the social and business environments. What values of Hindu society are important for international management?

1. Religious values, beliefs and traditions relating to work ethic, religious holidays and dietary habits that may affect the effective operation of international firms
2. Honesty and trust that could result in companies readily committing resources in terms of collaborative arrangements and alliances
3. Profits earned in fair business are justified, but may not result from exploitation or deceit
4. Individuals with relatively greater political and economic freedom help in creation of entrepreneurial free market capitalism and entrepreneurial initiative

Question 9

According to Aregbeshola et.al (2011), **ONE** of the benefits of privatisation is:

1. Narrowing and levelling capital markets
2. Attracting local production and foreign investment
3. Improving enterprise efficiency and performance
4. Assuming the mode of unrealistic perfect competition

Question 10

Which **ONE** of the PESTEL model factors suggests that companies need to focus on when contemplating an international move?

1. Legal factors
2. Economic factors
3. Political factors
4. Macro-environmental factors

Question 11

The decline of the currency has no effect on the local deposit and purchasing power in the local market, why does it have the negative effect on the ownership shares in terms of translation exposure?

1. The currency value of the parent MNEs in the consolidated balance sheet would decrease
2. The unprofitable translation exposure can turn into a profitable exposure
3. The perceived solvency and debt-to-equity ratio would provide for more opportunity for borrowing in future
4. The perceived negative effect on the company's earnings as a result of translation could lead to an increase in its share price in stock markets

[TURN OVER]

Question 12

Which of the following best describes the use of balance of payments (BOP) to a manager in a global business?

1. The BOP identifies the increased risk of borrowing investment capital from the capital market of specific countries
2. An increase in BOP indicates that a country's currency will depreciates in the future
3. The BOP warns international firm of policy changes in a foreign country that could affect the business climate
4. A decrease in BOP suggests that the country's foreign reserve is dwindling thereby requiring foreign aid

Question13

The Eclectic Paradigm or the Ownership-Location-Internalisation (OLI) framework of John Dunning compares the rationale for adopting various entry modes by multinational enterprises. Using that framework, which **ONE** of the following entry modes should be adopted by a firm that is concerned with absolute control over resources and technology?

- 1 Foreign Direct Investment
- 2 Franchising
3. Licensing
4. Exporting

Question 14

An antidumping policy is designed to redress the unfair practice in order to:

1. Establish the framework for conducting and practicing free trade
2. Foster greater trade integration and liberalisation
- 3 Protect domestic producers against unfair competition
4. Increase local manufacturing capacity of component parts at the expense of mere assembling

[TURN OVER]

Question 15

According to internalisation theory, decision making is based on a comparison between organising activities through the market or firm. Therefore, the underpinning root of this theory suggests that:

1. MNEs exist in order to organise interdependence between subsidiaries in different countries
2. MNEs aims to appropriate all returns from their technological advantages
3. MNEs will originate in countries where marginal productivity of capital is low and transfer capital to host countries where marginal productivity of capital is higher
4. The local firm determines technology transfer via the consideration of spill over costs to MNE

Question 16

Inflation is defined as the continuing general price increase of goods and services. In South Africa indices that are used to measure consumer-related prices include the following, **EXCEPT:**

1. The price changes of all goods and services that the typical consumer buys
2. The price changes of all goods and services excluding mortgage bonds in urban areas
- 3 The price changes of imported goods calculated at the point of entry
4. The price changes of all goods and services excluding fresh meat, fruit and vegetables and interest on bank overdraft and value- added tax

Question 17

Which **ONE** of the following is a motivation for a country to move from a command to a market economy?

1. New opportunities for the country to achieve information and knowledge transfer
2. New opportunity to protect the home from competitive pressures from foreign investors
3. New opportunity for foreign investors to exploit the fragility of the economy to their own advantage
4. New opportunity for a country to attain cross-cultural literacy

[TURN OVER]

Question 18

Which of the following best explains why high inflation rate triggers an increase in interest rate?

1. Interest rates are raised to discourage domestic credit consumption
2. Interest rates are raised to improve the purchasing power of the domestic currency
3. Interest rates are raised to attract domestic deposit in the face of a rapidly growing economy
4. Interest rates are raised to attract cheaper foreign imports in the face of lower domestic production

Question 19

Which of the following is a key distinguishing feature between foreign direct investment (FDI) and international portfolio investment (IPI)?

1. IPIs are always responsive to the needs and aspirations of domestic communities
2. The foreign investor's stake must be of the equity ownership form in the case of FDI
3. The IPI transaction must involve the use of capital markets in ways that do not destabilise the domestic capital market
4. IPI always imply a controlling ownership stake in the domestic firm

Question 20

The aim of operating financial strategies is to minimise the effect of changing exchange rates on the local firm's profitability. In guarding against currency appreciation and high inflation, the host-country local subsidiary must do all of the following, **EXCEPT**:

1. Pay all debts that are denominated in strong currencies as quickly as possible
2. Delay as far as possible , paying obligations denominated in local currency
3. Collect their debts as quickly as possible
4. Take opportunity to sell fixed assets that are not affected by inflation

[20 Marks]

[TURN OVER]

Section B

- Answer ANY TWO of the following three questions in your examination answer book
- Indicate the numbers of the question that you answered clearly and correctly in your examination answer book
- Indicate the number of questions answered on the COVER of the booklet

Question B 1

B 1.1 "The quality and characteristics of the leadership are some of the determining factors of an organisation's performance in the global business environment". Critically differentiate between the following types of leadership:

- Charismatic leadership
- Transactional leadership
- Transformational Leadership (9 marks)

B 1.2 What distinguishing qualities should South Africa have in order to be considered to lie somewhere in between the developed and the less developed economies?
(6 marks)

B 1.3 Critically and discuss the various types of foreign market entry modes and justify the significance of each of these modes. (10 marks)

[25 marks]

Question B 2

B 2.1 Identify and briefly discuss the reasons why governments advocate for the application of tariff barriers. (8 marks)

B 2.2 Discuss and explain the role and benefits of quotas as one of the most prominent tariff barriers in the history of international business. (7 marks)

B 2.3 Clarify the implications of trade barriers on both domestic and international economies. To what extent can application of instruments of trade policy affect developing countries? (10 marks)

[25 marks]

[TURN OVER]

Question B 3

B 3.1 Define Strategic alliance as one of the vehicles for entering into a protected international market and justify the strategic use of collaborative agreements in global business environments. (10 marks)

B 3.2 Suppose a South African small firm identifies an export opportunity and decides to enter into an international trade with another firm in Brazil. What advice as a Business Strategic Consultant can you provide to the South African firm with regard to steps used in export/import transaction? (6 marks)

B 3.3 Discuss and evaluate the various foreign exchange exposures that are peculiar to international business operation. (9 marks)

[25 marks]

TOTAL [50 Marks]

PART 1 (GENERAL/ALGEMEEN) DEEL 1

STUDY UNIT e.g. PSY100-X
STUDIE-EENHEID by PSY100-X

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INITIALS AND SURNAME
VOORLETTERS EN VAN 3

DATE OF EXAMINATION
DATUM VAN EKSAMEN 4

EXAMINATION CENTRE (E.G. PRETORIA)
EKSAMENSENTRUM (BY. PRETORIA) 5

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For use by examination invigilator
Vir gebruik deur eksamenopsiener

- IMPORTANT**
- USE ONLY AN HB PENCIL TO COMPLETE THIS SHEET
 - MARK LIKE THIS. ✱
 - CHECK THAT YOUR INITIALS AND SURNAME HAS BEEN FILLED IN CORRECTLY
 - ENTER YOUR STUDENT NUMBER FROM LEFT TO RIGHT
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PART 2 (ANSWERS/ANTWOORDE) DEEL 2

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