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MNB3701

MAY/JUNE 2018

Principles of Global Business Management

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Question No		Examiners	3		
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Subject

Number of paper

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MNB3701

May/June 2018

Global Business Management IA

Duration

2 Hours

70 Marks

EXAMINERS

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Closed book examination

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This paper consists of 27 pages

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instructions:

This paper comprises two sections. Section A and Section B

Section A

- Section A comprises 20 multiple-choice questions
- You must answer ALL 20 questions
- . The total for this section is 20 marks
- These questions must be answered on the following page of this question paper, in the table provided. DO NOT USE THE MARK READING SHEET.

Section B

- Section B comprises of three essay-type questions
- You must answer any TWO of the three questions
- Each question is worth 25 marks
- The total for this section is 50 marks.
- Indicate which questions (e.g. B1, B2, B3) you have answered on the cover page of this book





MNB 3701

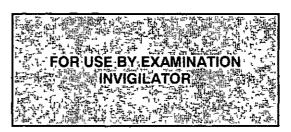
ANSWER SHEET

MAY/JUNE 2018

GLOBAL BUSINESS MANAGEMENT

Examination centre





SECTION A - QUESTION 1

Indicate your answer by placing a "X" in the appropriate space

QUESTION		ÄNS	WER	
1	A	В	С	D
2	A	В	С	D
3	Α	В	С	D
4	Α	В	С	D
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QUESTION		ANS	WER	
16	А	В	С	D
17	А	В	С	D
18	A	В	С	D
19	Α	В	С	D
20	Α	В	С	D
21	Α	В	С	D
22	Α	В	С	D
23	A	В	С	D
24	Α	8	С	D
25	Α	В	С	D
26	Α	В	С	D
27	A	В	С	D
28	A	В	С	D
29	A	В	С	D
30	A	В	С	D

Insert this answer sheet immediately into your examination script which contains the rest of your answers

Section A

- Answer ALL TWENTY multiple-choice questions in this section, in the space provided for each question on the answer sheet.
- The total for this section is 20 marks.

Question 1

Relative purchasing power parity is underpinned by price adjustments across countries as influenced by inflation and exchange rates. However, absolute purchasing power parity assumes that

- 1 prices should include inflation and disregard exchange rates across countries
- 2 prices should include exchange rates and disregard inflation across countries
- 3 prices should be equal regardless of inflation and exchange factors across countries
- 4 prices should be influenced by the costs of production

Question 2

One of the advantages of globalisation is that

- 1 it has the potential of creating meaningful and sustainable jobs
- 2 it presents a shift towards more interdependent subsidiaries
- 3 it constitutes a politically influential proposition to poverty
- 4 It perpetuates fair income distribution

pediments to exporting is

- o improve competitiveness of a particular role player in a strategic growth sector
- to achieve a balance-of-trade equilibrium involving all of a country's trading partners.
- to guide governments in the implementation of economic policy
- 4 to apply trade restrictions through regulatory bodies

Question 4

It is often argued that Voluntary Export Restraints (VER) serve to

- 1 increase government intervention in trade and economic matters
- 2 increase the costs of exports, which discourages exports
- 3 implement trade barriers in an arbitrary way
- 4 lower the production costs of domestic manufacturing or service products

Question 5

The purpose of the World Trade Organisation is to

- 1 promote free trade among countries
- 2 encourage economic dispensation of production activities
- 3 pursue the agenda for anti-dumping policies
- 4 respond to economic crises

Which ONE of the following best describes the concept "transaction exposure"?

- 1. Long-term financial risk
- 2 Short-term financial risks
- 3 Long-term Country risk
- 4. Short-term Equity risk

Question 7

The theoretical foundation of business ethics rests on the following EXCEPT

- 1 business ethics are a reflection of culture
- 2 maximisation of good and minimisation of harm
- 3 government's economic policies
- 4 corporate social responsibility

Question 8

Corruption is considered as one of the prohibiting economic growth factors. Less developed and developing countries are characterised by low corruption perception indices. Which ONE of the following is true about high corruption perception index?

- 1 It is not an indication of clean business practices abroad
- 2 It is an indication of clean business practices abroad
- 3 It is a suggestion of the power of rule of law in the parent country
- 4 It is a suggestion of the power of rule of law in the host country

One of the functions of supply chain teams is to.

- 1 facilitate departmental operations.
- 2 ensure timeous delivery of operational resources
- 3 control organisation finances
- 4 ensure the wellness of the employees

Question 10

A South African mining company is persisting with its activities in the country. They maintain that these activities are still lucrative, but, at the expense of the local community, whose health is suffering. This has serious ethical implications for a company determined to pursue 'profit maximisation' at all costs. Which theory of business ethics is pertinent in the regard?

- 1 cultural relativism
- 2 Friedman's doctrine of ethics
- 3 the naive immoralist
- 4 Utilitarian ethics

Question 11

Some advantages of collaborative arrangements, regardless of whether a company is operating domestically or internationally, are

- 1 that they lower production costs abroad
- 2 that they reinforce protectionist barriers
- 3 that they increase domestic manufacturing capacity in the home country.
- 4 that they modify product design and development

Regional economic integration enhances economic and political status of member countries, however, this trade strategy has potential to pose a challenge of

- 1 inequality
- 2. instability
- 3 inefficiency
- 4 dominance

Question 13

Which ONE of the following advantages of transfer pricing has a direct impact on an MNC's maximisation of earnings?

- 1 The ability to influence the political economy of the host country
- The ability by a parent company to negotiate lower tax rates on behalf of the subsidiary
- 3 The flexibility to move funds from a country with high tax rate to a country with a low tax rate
- The ability to source financial resources from surplus units for operational efficiency

Question 14

Although the concept of globalisation is very broad and has no standard definition, different schools of thought define the concept in terms of its relevance to their perspectives. Which ONE of the following defines globalisation from capitalist perspective?

- 1 MNCs control trade agreements
- 2 Free society increases trade disputes
- 3 The producers control the prices in the market space
- 4 Demand and supply interchangeably regulate sales and purchases

In the context of foreign exchange transactions, a spot transaction is

- the price at which a bank will buy foreign exchange from another bank
- the purchase of foreign exchange settlement, to be completed within two business days following the date of transaction
- when two parties agree to exchange currency and execute the deal at some specific date in future
- 4 the simultaneous purchase of a given amount of foreign exchange for two different value dates

Question 16

The following are forms of trade barriers EXCEPT

- 1 export substitution
- 2 import substitution
- 3 infant industry argument
- 4 anti-dumping practices

Question 17

Governments use import tariffs to increase their revenue, ONE of the following is the pitfall of import tariffs

- 1 it promotes domestic efficiency
- 2 it reduces costs of production
- 3 it increases costs to consumers
- 4 It increases costs to exporters

The recent withdrawal of Greater Britain from the European Union (EU) has brought lots of uncertainties for member states regarding the impact on employment and social security. The formation of European Union (EU) is an example of?

- 1 Regional integration
- 2 Regional economic integration
- 3 Common currency agreement
- 4 Global integration

Question 19

The difference between subsidies and quotas is that

- 1 quotas are aimed at overcoming market imperfections while subsidies are a source of government revenue
- subsidies are calculated as a percentage of the value of the item being subsidised, whereas a quota involves a tax levied on goods shipped out of a country
- quotas are designed to restrict the amount of goods or services that can be imported into a country while subsidies constitute payments made by government for the benefit of domestic manufacturers
- 4 subsidies represent an aggregate duty on more than one product, quotas are arbitrarily used to determine the value of goods entering a country

Question 20

The USA's withdrawal from NAFTA could have the following implications

- 1 unrestricted access to Mexico's financial access.
- the renegotiation of member's intellectual property rights
- 3 the re-imposition of trade restrictions between signatories to NAFTA
- 4 enhanced free flow of foreign direct investments between members

Section B

- Answer ANY TWO of the following three questions in this section, in the space provided for each question.
- Make sure you answer all the sub-questions for each question.
- Each question is worth 25 marks.

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11	Explain fully what "transfer pricing" means	(5 marks)
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		<u>-</u> -
12	Contrast forward exchange contracts with foreign currency option	ns Provide
-	examples to substantiate your answers	(6 marks)
	examples to substantiate your answers	(0 marks)
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}	Critically discuss the three types of foreign exchange expo	sura ti
	Multinational Corporation (MNC) can encounter in the foreign	
	market	(9 marl
		
		
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4	Discuss the role of the capital market in the economy	(5 marks
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	π	otal: 25 marks]
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22	Fully discuss the characteristics of an emerging industry and	the relevant	
	strategies that an MNC should consider	(9 marks)	
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23	Discuss what is meant by the 'rights theories' as a theory of bus	iness ethics (8 marks)	
			
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[Total:	25 ma
Explain what the concept of Foreign Direct Investment (DFI) entails	(7 ma
 Discuss the four major types of FDI mergers, acquisitions,	brown
 investment and wholly-owned subsidiaries	(8 ma

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33	Elaborate on the advantages FDI has for the host country	(10 marks)
		
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[Total: 25 marks]

TOTAL [50 marks]

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