



# MNB3701

**MAY/JUNE 2018** 

# **SECOND PAPER**

# **Global Business Management 1A**

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Subject

Number of paper

Date of examination

**Examination centre** 

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# **SECOND PAPER**

### MNB3701

May/June 2018

#### Global Business Management IA

Duration 2 Hours

70 Marks

EXAMINERS FIRST SECOND EXTERNAL

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This paper consists of 27 pages

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#### Instructions

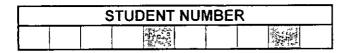
This paper comprises two sections Section A and Section B

#### 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





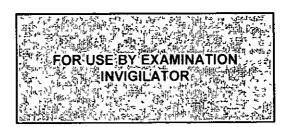
# **MNB 3701**

## **ANSWER SHEET**

# MAY/JUNE 2018 PAPER 2 GLOBAL BUSINESS MANAGEMENT

Examination centre





#### **SECTION A - QUESTION 1**

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

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13	Α	В	С	D
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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

The impediments to exporting include all of the following EXCEPT

- 1 exporting is discouraged by low transportation costs
- 2 lack of tight control over sales in the foreign market
- 3 exporting does not support diffusion of the organisational culture
- 4 the application of trade restrictions by regulatory bodies

#### 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

One of the impediments to exporting is

- to 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
- 3 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
- 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

(5 marks)

#### 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

Explain the concept of globalisation

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12	Explain the role of the World Trade Organisation (WHO) in the promotion of international trade of goods and services. How does this role differ from the	
	that GATT used to play? (6 ma	ks)
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1 3	Discuss any three international trade theories that are support the integrity of
	the market (9 marks)
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4	Discuss the role of the capital market in the economy	(5 marks
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	[Total. 25 marks]
Quest	ion B 3
2.4	Evaluation what the general of Egraph Direct Investment (DEI) entails (7 marks)
3 1	Explain what the concept of Foreign Direct Investment (DFI) entails (7 marks)

	investment and wholly owned subsidiaries	(8 marks
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3	Elaborate on the advantages FDI has for the host country	(10 marks)
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