

MNB370-1 – GLOBAL BUSINESS MANAGEMENT

SEMESTER 1 – 2018 – MCQs

ASSIGNMENT 1

Question 1

Anti-free trade arguments maintain that free trade agreements can result in:

1. an incremental increase in a country's factory employment
2. a reduction in European Union membership
3. exports exceeding imports in a country's economy
4. the stimulation of NAFTA's trade goals.

Question 2

Globalisation is often crystallised as "cross-border" trade and investments. But, this provides a limited perspective on what globalisation is. What, then, is globalisation?

1. Collective opposition to oppression, exploitation and injustice.
2. An attempt to achieve equilibrium in a country's political economy.
3. It represents a shift towards a more interdependent world economy.
4. It constitutes politically influential opposition to poverty.

Question 3

"Kenya's growth potential is a sure reflection of the high growth being experienced in East African economies". It all points to the drivers of globalisation at work. These drivers include the following, EXCEPT:

1. Changes in the technological environment.
2. The appropriation of globalisation gains, by rich countries.
3. The region's growing middle-class.
4. Advances in transportation technology.

Question 4

The function of GATT was to:

1. protect countries from the imposition of heavy, progressive, taxes.
2. promote dominance in global manufacturing, for member nations.
3. lower barriers to the free flow of goods, services and capital among nations.
4. help countries build a diverse economy, a democratic political system and a strong safety net.

Question 5

The primary purpose of the World Bank (WB) is:

1. encourage the economical dispersion of production activities.
2. alleviate poverty and encourage economic development.
3. monitor the partial exportation of finished products.
4. regulate international production costs.

Question 6

The Bretton Woods agreement signified the following most noteworthy achievement:

1. The demise of the fixed exchange regime.
2. The introduction of a set of rules and regulations aimed at facilitating international trade.
3. The provision of a US dollar-based monetary system: ensuring the convertibility of other currencies into the US dollar.
4. The establishment of an independently floating currency arrangement.

Question 7

In terms of contemporary currency arrangements, an independent float refers to:

1. Trade balance adjustments.
2. Pegged exchange rates.
3. Flexible rates, relative to a single currency.
4. Exchange rate determination through market forces.

Question 8

Globalisation:

1. espouses more public ownership of industry.
2. supports incentive tariffs for selected economic sectors.
3. promotes "local content" preferences for certain industries.
4. encourages market integration and WTO and IMF activities.

Question 9

National competitive advantage is determined through a combination of four broad attributes in the domestic environment, in which organisations compete. These attributes are often referred to as the so called Porter's diamond of national competitive advantage. Which ONE of the following is NOT a determinant in this regard?

1. The conditions of available resources in the domestic economy.
2. The state of domestic industries and the operational synergy that subsists between them.
3. The demand position of the country.
4. Firm strategies, structures and rivalry within the domestic economy.

Question 10

"Anti-globalisation protests are escalating at an alarming rate. The recent violence and chaos that descended on the G20 summit in Hamburg, Germany, confirms this". What, is the principal rationale motivating the protest action of anti-globalists?

1. To foster the entrenchment of a more integrated and interdependent global economy.
2. It's aversion to the selective application of global, capitalistic imperialism.
3. It's conviction that "globalisation" is not working.
4. It's opposition to the reduction of cross-border tariffs.

Question 11

A Zimbabwean oil company is persisting with operations although they are polluting the local water resources. The company will be faced with serious ethical consequences if they persist with their operations. Which theory of business ethics would be applicable?

1. Cultural relativism.
2. Friedman's doctrine of ethics.
3. The naïve immoralist.
4. Utilitarian ethics.

Question 12

Multinational mining companies have on occasions, violated the expectations of their immediate communities. Failure to meet the moral expectations of some of its stakeholders holds the following ethical implications.

1. A vindication of the ethics theory of "cultural relativism".
2. The vitiating of the philosophical approaches to business ethics.
3. The justification of the Utilitarian approaches to ethics.
4. The application of Rawl's "veil of ignorance" to business ethics.

Question 13

"Corporate social responsibility" hinges on:

1. NGO supporting activism in favour of repressed communities.
2. Resolving the ongoing banking crisis in the euro zone.
3. The impact of business activities on the environment and society.
4. The disclosure of financial performance information to stakeholders.

Question 14

The question of "disclosure" in corporate social responsibility reporting refers to:

1. the metrics of environmental and social performance.
2. corporate profile disclosures.
3. the disclosure of information that is beneficial to stakeholders.
4. the vindication of disclosure standards.

Question 15

“Economic freedom” is espoused by most democratic economies. Which theory(ies) of business ethics reflects the promotion of economic freedom?

1. Theories espousing the ethical dictums relating to international employment practices.
2. Theories focusing on the application of cultural relativism.
3. The Friedman doctrine of social responsibility.
4. The Utilitarian approach to business ethics.

Question 16

The difference between FDI through acquisitions versus greenfields investments is that ...

1. greenfields investments are less risky.
2. acquisitions involve the procurement of valuable strategic assets.
3. greenfields investments involve merging with a jointly owned firm.
4. acquisitions invariably lead to setting up a new operation in a foreign country.

Question 17

The gold standard and the confidence it elicited over many years, was ultimately abandoned due to:

1. the reinstatement of a system of fixed exchange rates.
2. being undermined by institutions in the international, financial markets.
3. the advent of the oil crisis in 1973.
4. the establishment of the International Monetary Fund (IMF) and the World Bank.

Question 18

The foreign exchange market is a worldwide financial market that provides the physical and institutional structure for foreign exchange transactions. The key functions of the foreign exchange market include the following, EXCEPT:

1. monitoring the operations of all the central banks across the globe;
2. the transfer of purchasing power of one currency to another;
3. the provision of credit to individuals and multinational firms globally;
4. minimising foreign exchange risk relating to cross-border trade and investments.

Question 19

Which ONE of the following statements BEST describes the concept of purchasing power parity (PPP)?

1. PPP is the relative ability of one currency to buy the same basket of goods and services in every country.
2. PPP is the relative ability of two currencies to buy the same basket of goods and services in the two countries under consideration.
3. The PPP calculation includes only the expected exchange rate at the time of survey in the two different countries that are being analysed.
4. The PPP calculation includes only the home country inflation rate without specific interest in the value of any foreign currency.

Question 20

The fact that the bilateral spot exchange rate for any two countries, should change in an equal amount, but in the opposite direction, to the difference in nominal interest rates between the two countries is referred to as:

1. the purchasing power parity;
2. the international Fischer effect;
3. law of one price;
4. expected exchange rate periods.

Question 21

Foreign exchange “translation exposure” refers to:

1. The release of information that can influence currency values.
2. The linking of inflation and interest rates via exchange rates.
3. The effects of translating business activities of foreign subsidiaries into the home currency of the parent company.
4. Trending historical exchange rates, relative to spot and future trends in exchange rates.

Question 22

“Currency swaps represent a more sophisticated foreign exchange (forex) instrument”. Which of the following statements is correct? A currency swap is ...

1. the rate at which a forex dealer converts one currency into another currency on a particular day.
2. when two parties agree to exchange currency and execute the deal at some specific date in the future.
3. the simultaneous purchase and sale of a given amount of forex for two different value dates.
4. the practice of borrowing in one currency, where interest rates are low and then using the proceeds to invest in another currency where interest rates are high.

Question 23

“Mercantilism” encapsulates the international trade theory which states:

1. That nations should neither limit imports nor promote exports. Rather, it espouses the view that the market will determine which producers survive.
2. A country has a natural advantage in producing a product because of climatic conditions.
3. That export promotion should take precedence over importation in a country.
4. The need to run a favourable balance of trade in an attempt to achieve a particular social or political objective.

Question 24

Globalisation is pivotal to protectionism, because:

1. protectionism is compatible with the principles of globalisation
2. globalisation only encourages trade with developing countries.
3. protectionism reduces the power of nation states.
4. globalisation benefits developed countries through trade and investment.

Question 25

Antidumping policies are used to:

1. regulate local content requirements for domestic manufacturing purposes.
2. accommodate requests from importing countries to restrict exports to such countries.
3. redress unfair trade practices, thereby protecting domestic producers.
4. protect and promote human rights in other countries.

Question 26

Which of the following factors have served as a deterrent to FDI (Foreign Direct Investment)?

1. The global economic crisis of 2008.
2. Liberalised private ownership of assets.
3. The collapse of export markets.
4. Increased regional economic integration.

Question 27

The tendency to concentrate foreign production facilities in a few, choice, foreign locations, reflects the tenets of which FDI theory?

1. the internationalisation theory
2. the structural market imperfection theory
3. John Dunning's eclectic paradigm
4. the new trade theory

Question 28

The international equity market:

1. Provides depositors and borrowers with a currency market free of government regulation.
2. Provides a source of capital for international investors, around the world.
3. Allows investors to deal in fixed-rate bonds, in return for cash payoffs.
4. Provides for the under-writing of loans through an international syndicate of banks.

Question 29

Tariff barriers are used as a protection mechanism. They do this by:

1. helping governments to encourage exports;
2. reducing the burden of manufacturing costs;
3. protecting inefficient industries who lack capacity;
4. encouraging manufacturers to "select" the right sourcing agents.

Question 30

The economic case for regional economic integration includes:

1. boosting infrastructural spending across borders.
2. reducing fiscal regulations and taxes in specific, trading countries.
3. initiatives to secure additional gains from free trade and investments.
4. preventing the relocation of jobs abroad.

ASSIGNMENT 3**Question 1**

International business culture has influence on ONE of the following:

1. relationships between ethnic groups;
2. cross-cultural leadership;
3. relationships between supervisors and subordinates; (pages 55 to 56, chapter 3),
4. the role of male employees.

Question 2

Which ONE of the following is an implication of cultural dimensions?

1. The influence on international business on promotion of fair competition and market information.
2. The governance of international business operations in accordance of parent country.
3. The influence on international business particularly on promotion of political and economic ideologies. pages 60 and 64 (chapter 3)
4. The adoption of ethnocentric strategy favoured over polycentric strategy.

Question 3

In order to stay ahead of competition, the managers of global firms gather a lot of information, this includes:

1. meeting unrealistic performance goals.
2. costing information. (pages 106 to 109, chapter 5)
3. being culturally different, without being better or worse.
4. offering guidelines for "ethical" decision-making.

Question 4

The three types of foreign exchange exposures include the following:

1. political, transactional and economic risks.
2. credit, economic and exchange risks.
3. translation, economic and transactional risks. (pages 136 to 139, chapter 6),
4. political, credit and performance risks.

Question 5

The discount houses are responsible for all of the following types of bills EXCEPT:

1. government treasury bills.
2. subsidiary bills. pages 120 to 122 (chapter 6)
3. domestic bills.
4. foreign bills.

Question 6

Global measures of efficiency and effectiveness of political leaders include the following EXCEPT:

1. political stability and the absence of violence;
2. regulatory quality; pages 25 to 26 (chapter 2)
3. government efficiency;
4. control of corruption.

Question 7

Which ONE of the following trade mechanisms of the World Trade Organisation helps to strengthen the negotiating powers of the less developed countries against economically powerful countries?

1. mediating between countries;
2. facilitation of free trade;
3. negotiation of trade dispute resolutions;
4. regulation of trade relationships between nations. (pages 22 to 24, chapter 2)

Question 8

The low-context of Hall approach towards culture is attributed to one of the following:

1. decision-making is impersonal and tends to avoid conflicts;
2. the prevalence of autocratic against democratic management styles;
3. business transactions tend to be objective;
4. relationship-building and development of trust are crucial for business formation page 60 (chapter 3)

Question 9

International trade is facilitated by the use of a common currency, the \$ (US dollar) due to which ONE of the following reasons:

1. the United States of America (USA) is a politically powerful country;
2. the currency is owned by an economically powerful country. chapter 6,
3. the currency serves as the common denominator for all the global currencies;
4. the United States of America (USA) houses the International Monetary Fund (IMF).

Question 10

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. (pages 134 to 135)
4. prices should be influenced by the costs of production.

Question 11

One of the advantages of globalisation is that:

1. it has the potential of creating meaningful and sustainable jobs. Pages 8 to 10 of the chapter (under the subheading – The Good)
2. it presents a shift towards more interdependent subsidiaries.
3. it constitutes a politically influential proposition to poverty.
4. it perpetuates fair income distribution

Question 12

One of the impediments to exporting is:

1. to improve competitiveness of a particular role player in a strategic growth sector.
2. 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. pages 216 to 217

Question 13

Transfer pricing CAN BE used to:

1. control the movement of funds.
2. to retain profits in the host country.
3. to reduce tax liability. pages 164 to 165 (chapter 8)
4. to compensate the fund managers.

Question 14

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. pages 204 and 205 (chapter 9)
4. lower the production costs of domestic manufacturing or service products.

Question 15

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; pages 22 to 24 (chapter 2)
4. respond to economic crises.

Question 16

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

1. Long-term financial risk;
2. Short-term financial risks; page 137.
3. Long-term Country risk;
4. Short-term Equity risk.

Question 17

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; pages 69 to 70 (chapter 4)
4. corporate social responsibility.

Question 18

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. pages 24 to 25 (chapter 2)
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.

Question 19

One of the functions of supply chain teams is to:

1. facilitate departmental operations.
2. ensure timeous delivery of operational resources. page 163 (chapter 8)
3. control organisation finances.
4. ensure the wellness of the employees.

Question 20

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. the naïve immoralist
3. Friedman's doctrine of ethics page 72
4. Utilitarian ethics

Question 21

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. chapter 10
3. that they increase domestic manufacturing capacity in the home country.
4. that they modify product design and development.

Question 22

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. inefficiency.
3. Instability. pages 242 to 243 (chapter 11)
4. dominance.

Question 23

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

1. Ability to influence the political economy of the host country.
2. Flexibility to move funds from a country with high tax rate to a country with a low tax rate.
3. Ability by a parent company to negotiate lower tax rates on behalf of the subsidiary page 164 (chapter 8)
4. Ability to source financial resources from surplus units for operational efficiency.

Question 24

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.

Question 25

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

1. the price at which a bank will buy foreign exchange from another bank.
2. the purchase of foreign exchange settlement, to be completed within two business days following the date of transaction.
3. when two parties agree to exchange currency and execute the deal at some specific date in future. (on page 177, chapter 8)
4. the simultaneous purchase of a given amount of foreign exchange for two different value dates.

Question 26

The following are forms of trade barriers EXCEPT:

1. export substitution. chapter 9 (pages 196 to 202)
2. import substitution.
3. infant industry argument.
4. anti-dumping practices.

Question 27

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

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

Question 28

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. pages 256 to 258 (chapter 11)
3. common currency agreement.
4. global integration.

Question 29

The difference between subsidies and quotas is that:

1. Quotas are aimed at overcoming market imperfections while subsidies are a source of government revenue.
2. 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.
3. 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. pages 203 (subsidies) and 204 (tariffs)
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 30

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

1. unrestricted access to Mexico's financial access.
2. the renegotiation of member's intellectual property rights.
3. the re-imposition of trade restrictions between signatories to NAFTA. chapter 11 (pages 251 to 252)
4. enhanced free flow of foreign direct investments between members.