

# Tutorial Letter 102/3/2018

## Principles of Global Business Management

MNB3701

Semester 2

Department of Business Management

**IMPORTANT INFORMATION:**

This tutorial letter contains important information about your module.

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## 1 INTRODUCTION

It is our pleasure to welcome you to the module: Principles of Global Business Management, (MNB3701) for the second semester of 2018 academic year. We hope and trust that you will find this module interesting, inspiring and enlightening. It must be noted that the original Tutorial letter 101 contained questions for both the first and the second semesters assignments. However, the department took the decision to replace those assignments because of the conspicuous inherent construct and contextual errors that pervaded those assignment questions.

## 2 PURPOSE OF THIS TUTORIAL LETTER

The purpose of this tutorial letter is to present new set of assignments in replacement of both assignments 01 and 02 for this (second) semester. To that extent, the assignments contained in this tutorial letter ultimately replaces the set of assignments contained in Tutorial letter 101. By implication, no reference would be made to the assignments contained in Tutorial letter 101, but rather, those contained in this tutorial letter (102). This said, however, please note that the unique numbers remain the same with the one contained in Tutorial letter 101 – so also are the assignment due dates and the instructions on how to complete the assignment questions.

## 3 ASSIGNMENT NUMBERS AND DUE DATES

This tutorial letter contains two compulsory assignments – assignments 01 and 02. Assignment 01 assumes the form of multiple choice questions (MCQ), while assignment 02 is an essay-type assignment. There are thirty (30) questions in assignment 01 which carries a total of 30 marks, while the three (03) essay-type questions in assignment 02 carries 70 marks in total. Kindly note that these assignments are **COMPULSORY** and you are required to answer all the questions in both assignments. The unique numbers of the assignments and the due dates are presented in the Table below for easy reference:

<b>Semester 2</b>		
<b>Assignment number</b>	<b>Unique number</b>	<b>Due date</b>
<b>01</b>	<b>840047</b>	<b>22 August 2018</b>
<b>02</b>	<b>883916</b>	<b>21 September 2018</b>

### 3.1 The assignments

#### **SEMESTER 2: ASSIGNMENT 01**

This assignment consists of **30 multiple-choice questions** that cover various chapters of the prescribed book. You may require additional resources to complete the assignment, essentially given that some of the assignment questions are practical-orientated.

#### **Question 1**

Both the concepts of globalisation and economic openness are underpinned by a common ideology. Which one of the following best describes that commonness?

1. Global reduction in income per capita.
2. Global increase income disparity.
3. Global increase in trade agreements;
4. Global decrease in productivity growth.

#### **Question 2**

Which one of the following options is at odd with the documented forces that drive globalisation?

1. The liberalisation of cross-border trade and resource movements.
2. The development of services that support international business.
3. The recent advances in technological systems and equipment.
4. The growing nature of consumer pressure on taste and fashion.

#### **Question 3**

It is a known fact that globalisation has faced immense pressure from various groups and interests over the past decade. Which of the following encapsulates the major motivation for the ever-growing adversary towards globalisation?

1. The conviction that terrorism thrives on poverty, which is easily attributed to globalisation.
2. Symbiotic trading arrangements between nation states that have resulted into national loss of sovereignty.
3. The complexity of that pervades the operating environment of international business.
4. The increasing nature of antagonism towards trade liberalisation and free market system.

**Question 4**

The major purpose for the establishment of the World Trade Organisation (WTO) is to:

1. encourage the economical dispersion of production activities;
2. promote global free trade and the interplay of price mechanism;
3. monitor the partial exportation of finished products across borders;
4. regulate international production costs and ultimately, consumer prices.

**Question 5**

MNCs can realise location economies by:

1. ensuring cost and quality improvements in their global supply chains;
2. achieving low-cost, value creation locales, for manufacturing purposes;
3. locating all of its value-creating activities, in a single location;
4. dispersing its manufacturing and product design processes to different international locations.

**Question 6**

The Porter's diamond of national competitive advantage illustrates a theory that states that:

1. The location of production facilities that serve world markets is a function of the product life cycle.
2. MNC's create new products in response to market conditions in their home market.
3. Demand and factor conditions are conducive to determining a country's competitive advantage.
4. Differences in countries' endowments of labour compared to land and capital, explain the differences in the cost of production factors.

**Question 7**

"China's Zengzhou region is planning to develop a massive logistics hub around its airport. Clearly this is an open invitation for prospective FDI projects to be established at such a hub." From your understanding of the theories of FDI, which of the following would influence the initiatives earmarked for such an offshore business location?

1. The availability of comparative resources at competitive prices.
2. The extent to which the initiative would improve production efficiency of MNCs.

3. The location-specific opportunities offered to leverage subsidiary skills.
4. The availability of government incentives to specifically attract investors.

### Question 8

“Foreign direct investment comes in an environment of legislative certainty and regulatory stability, but the absence thereof constitutes a serious deterrent to FDI”. Which of the following best depicts the major determinant to inflow of FDI?

1. Effective bilateral trade relations with EU countries.
2. Improved level of host country’s competitiveness.
3. Inadequate trade diversion opportunities in the host country.
4. Growing beneficiation capacity in the host country.

### Question 9

Non-compliance with “international best practices” regarding governance in a country’s financial services sector, resonates weakly with the principles and praxis of global governance. What do you understand by global governance?

1. It is the process of developing and promoting policies to combat money laundering.
2. It involves the coercion of State Departments into complying with best practices.
3. It encapsulates international intervention, to improve a country’s modus operandi, which defeats the aspiration for national sovereignty.
4. It epitomises a nation state’s preoccupation with its legislative inefficiencies.

### Question 10

The concept of “corporate social responsibility” refers to:

1. the optimisation of operational system to achieve corporate sustainability;
2. the symbiotic channels of communication between government agencies and suppliers;
3. the provision of transparent information to stakeholders, for purposes of decision-making;
4. the regulatory scope of public-private transnational networks that breeds social welfare.

### Question 11

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 this regard?

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

**Question 12**

Exploitation in the mining industry is renown. In South Africa the fraud and destruction perpetrated by one of the country’s notorious mining companies, with its diverse funding, raises deep, ethical concerns. Which of the following is a vindication of these concerns?

1. Friedman’s doctrine of ethical pragmatism.
2. The implications it holds for the provisional liquidation of the company.
3. The theory of the “naïve immoralist”.
4. The Libertarian notion of moral agencies.

**Question 13**

“Global governance” is a relatively new concept. It is often defined in terms of what it is not. What then is global governance?

1. It involves institutional engaging with the BRICS’ countries.
2. It is pivotal to the transition of government policies into implementation.
3. The mediation of relations between sates, businesses and societies.
4. It is pivotal to the creation of a new world order for the sake of peace and harmony.

**Question 14**

Corporate social responsibility is primarily concerned with which one of the following?

1. Corporate operational disclosure.
2. Corporate transparency disclosure.
3. Corporate accountability disclosure.
4. Corporate social disclosure.

**Question 15**

The difference between “traditional” reporting by MNCs and corporate social responsibility (CSR) reporting is:

1. traditional reporting only focuses on the regulator and business sectors of an economy, while CSR reporting focuses on all sectors;
2. CSR reporting is only for inter-firm comparisons; while traditional reporting cannot be used for comparison purposes;
3. traditional reporting discloses financial information; while CSR reporting discloses non-financial information;
4. traditional reporting only focuses on financial risks; while CSR reporting focuses on disparities between the rich and the poor.

**Question 16**

International business ethics:

1. addresses cultural behaviour where individualism and uncertainty avoidance is strong;
2. predominantly focuses on the strawmen approaches to business ethics;
3. concentrates on unrealistic performance expectations;
4. espouses an understanding of what is good and right in business.

**Question 17**

The fixed exchange rate system collapsed primarily as a result of:

1. increases in the global money supply that triggered price inflation;
2. the persistent devaluation of member country's currencies;
3. the increased application of the Bretton Woods agreement;
4. member country's maintenance of a balance-of-trade equilibrium.

**Question 18**

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

1. the price at which a bank will buy foreign exchange from another bank;
2. the purchase of foreign exchange with 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 the future;
4. the simultaneous purchase and sale of a given amount of foreign exchange for two different value dates.

**Question 19**

The primary function of the European Central Bank is to:

1. ensure lower foreign exchange costs involving single currency trading;
2. harmonise monetary policy so as to ensure fiscal stability;
3. facilitate the creation of a highly liquid capital market;
4. catalyse reductions in members' production costs.

**Question 20**

In a global environment of rising interest rates and high inflation, which of the following is pivotal to understanding the important relationship between exchange rates, interest rates and inflation rates.

1. The law of one price.
2. The purchasing power parity theory.
3. The international Fisher effect.
4. Fundamental analysis.

**Question 21**

The purpose of a protectionist trade policy is to:

1. promote processes revolving around specialisation;
2. secure a minimum attraction of imported goods;
3. enhance subsidies payable to domestic producers;
4. facilitate governmental restrictions and promote competitiveness.

**Question 22**

"The high rate of steel production in China is continuing and, it is speculated, that steel is being sold to export markets, at prices below the cost of production". This is reminiscent of the practice of dumping. Which statement is correct? Dumping ...



1. constitutes a special duty that is levied against foreign firms as a trade barrier.
2. protects domestic producers against unfair competition.
3. occurs when goods are exported at prices below market value.
4. is tantamount to a certain percentage of input materials being sourced domestically.

**Question 23**

The South African Government's imposition of quotas on Chinese clothing imports was of limited use to the local industry. Which alternative tariff barrier(s) could be used:

1. import quotas;
2. local content requirements;
3. ad valorem tariffs;
4. voluntary export restraints.

**Question 24**

The difference between subsidies and quotas is that:

1. quotas are aimed at overcoming market imperfections, while subsidies are a source of governmental 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 being shipped out of a country;
3. quotas are designed to restrict the amount of goods or services that can be imported into a country over a designated period: by contrast, subsidies constitute payments made by government for the benefit of domestic manufacturers;
4. subsidies represent an aggregate duty on more than one product, quotas, in turn, are arbitrarily used to determine the value of goods entering a country.

**Question 25**

The formation of the European Union(EU) is an example of:

1. introducing a common currency into a designated, geographical area;
2. global integration;
3. regional economic integration;
4. helping MNC's to determine where to produce products.

**Question 26**

The introduction of an innovative, export processing zone (EPZ), akin to a free trade area (FTA), could yield the following advantages.

1. The improvement of a participant's standard of living.
2. The prevention of job losses in the designated area.
3. Increased, economic diversification.
4. Increased, business representation on the EPZ's advisory board.

**Question 27**

A free trade agreement constitutes:

1. trading relations governed by an agreement that emphasises political reciprocal cooperation between member countries;
2. the shifting of production to more efficient producers for reasons of comparative advantage;
3. an arrangement to abolish all tariffs between member countries of a particular trade group;
4. a strategic alliance between trading blocs, allowing them to impose external tariffs on goods being imported from non-members.

**Question 28**

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

1. unrestricted access to Mexico's financial institutions;
2. 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.

**Question 29**

June 10, 2015 marked the launch of the tripartite Free Trade Area involving; COMESA, SADC and the East African Community (EAC). The purpose of a Free Trade Area is to:

1. ensure the implementation of trade policy instruments for members and non-members;
2. regulate the integration of Africa's markets;

3. accelerate negotiations between members and non-members, regarding the functioning of a Free Trade Area;
4. ensure the removal of all barriers to the trade of goods and services among member countries.

### Question 30

America's intention to re-negotiate the NAFTA trade deal is one of the many anti-trade threats originating from its new administration. Historically, what was the purpose of NAFTA?

1. To orchestrate supply chains between member countries.
2. The removal of barriers on cross-border flows of goods and services.
3. To encourage the migration of jobs to Mexico.
4. To monitor environmental and labour laws of member countries.

**TOTAL MARKS FOR ASSIGNMENT 01**

**[30 MARKS]**

### SEMESTER 02: ASSIGNMENT 02

Assignment 02 consists of **three essay-type questions** covering the entire syllabus. You are required to work through both your textbook and the study guide as you answer these questions. You are, also, encouraged to read beyond the parameters of this material in order to broaden your perspectives on the subject. Remember, this forms a pivotal part of your preparation for the forthcoming semester examination.

**Kindly refer to section 8.3 in Tutorial Letter for details on the required format for answering essay-type questions.**

#### Question 1

"The promotion of international trade in goods and services has expanded the globalisation process".

Given these realities you are required to do the following:

- 1.1 Explain the concept of "globalisation" and fully justify the motivation for anti-globalisation campaign by various pressure groups. (10 marks)
- 1.2 Explain the role of the World Trade Organisation (WTO) in the management of global trade relationship amongst member countries. How does this differ from the role that GATT used to play? (15 marks)

**[Total: 25 marks]**

**Question 2**

2.1 Fully explain the attributes of Porter's theory of competitive advantage and situate the practical application of this theory within the expansion of mining corporations across emerging economies.

(15 marks)

2.2 Fully discuss the characteristics of an emerging industry and the relevant strategies that an MNC should consider.

(10 marks)

**[Total: 25 marks]**

**Question 3**

3.1 Explain the concept of Foreign Direct Investment (FDI) entails.

(5 marks)

3.2 Fully discuss the determinants of FDI destination and motivate why MNCs are particularly wrong on their perception of African markets as possible investment destinations.

(8 marks)

3.3 Elaborate on the advantages that FDI offers its host country.

(7 marks)

**[Total: 20 marks]**

**TOTAL MARKS FOR ASSIGNMENT 02**

**[70 MARKS]**

**4. GROUP DISCUSSION CLASSES**

There will be group discussion classes organised for this module, but only on the Muckleneuk Campus in Pretoria, as well as at the regional centres in Durban and Cape Town. The regions are selected based on the historical number of registered students. The dates for the discussion classes will be announced as soon as all arrangements are concluded. Kindly endeavour to attend these discussion classes as they will afford you a face-to-face opportunity with your lecturer, and create an atmosphere for robust engagement.

**5. CONCLUSION**

This Tutorial Letter contains information on the replacement assignment for those contained in Tutorial Letter 101. The tutorial Letter also suggests our intention to organise regional tuition visits in order to enrich your learning experience in this module. Kindly read through the tutorial letter carefully and fully comprehend the content. We wish you the very best in your career pursuit.

Your lecturer in Principles of Global Business Management.

Department of Business Management

Unisa