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MNB3701

MAY/JUNE 2018

Principles of Global Business Management

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UNIVERSITY EXAMINATIONS

UNIVERSITEITSEKSAMENS

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MNB3701

May/June 2018

Global Business Management IA

Duration 2 Hours

70 Marks

EXAMINERS
FIRST MS LA NTISO
SECOND MR KS BOYA
EXTERNAL PROF EW NEULAND

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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

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ANSWER SHEET

MAY/JUNE 2018

GLOBAL BUSINESS MANAGEMENT

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SECTION A – QUESTION 1

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

QUESTION	ANSWER				QUESTION	ANSWER			
1	A	B	C	D	16	A	B	C	D
2	A	B	C	D	17	A	B	C	D
3	A	B	C	D	18	A	B	C	D
4	A	B	C	D	19	A	B	C	D
5	A	B	C	D	20	A	B	C	D
6	A	B	C	D	21	A	B	C	D
7	A	B	C	D	22	A	B	C	D
8	A	B	C	D	23	A	B	C	D
9	A	B	C	D	24	A	B	C	D
10	A	B	C	D	25	A	B	C	D
11	A	B	C	D	26	A	B	C	D
12	A	B	C	D	27	A	B	C	D
13	A	B	C	D	28	A	B	C	D
14	A	B	C	D	29	A	B	C	D
15	A	B	C	D	30	A	B	C	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 pg. 134 CH6.

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 pg. 10. CH1

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

Im pediments to exporting is pg 216. CH 10

1 .o 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

Question 4

It is often argued that Voluntary Export Restraints (VER) serve to pg204 CH 9

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 pg23 CH 2

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

Question 6

Which ONE of the following best describes the concept "transaction exposure"? CH 8 pg 174

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 pg 72–74

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 pg 24 CH 2

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

Question 9

One of the functions of supply chain teams is to. pg 163 CH8

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

Question 10 pg 72 CH 4

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

Question 12 pg 243 CH11

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? pg 165 CH

1 The ability to influence the political economy of the host country
2 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
4 The ability to source financial resources from surplus units for operational efficiency

Question 14 pg 8 CH1

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 15 pg173 CH8

In the context of foreign exchange transactions, 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

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 pg 196-200 CH9

1 export substitution

2 import substitution

3 infant industry argument

4 anti-dumping practices

Question 17 pg202 CH9

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

Question 18 pg 256 CH 11

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 19 203-204 CH 9

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

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 pg 252 CH

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

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.**

Question B 1

1 1 Explain fully what "transfer pricing" means pg -164-166 (5 marks)

1 2 Contrast forward exchange contracts with foreign currency options Provide examples to substantiate your answers pg 178-179 (6 marks)

1 3 Critically discuss the three types of foreign exchange exposure that Multinational Corporation (MNC) can encounter in the foreign exchange market pg 136-140 CH6 (9 marks)

1 4 Discuss the role of the capital market in the economy CH7 pg 140 (5 marks)

[Total: 25 marks]

Question **B 2**

2 1 Fully explain the "four attributes" that Porter's theory of competitive advantage is based on p195 CH 9 (8 marks)

2 2 Fully discuss the characteristics of an emerging industry and the relevant strategies that an MNC should consider (9 marks)

2 3 Discuss what is meant by the 'rights theories' as a theory of business ethics p976 CH4 (8 marks)

[Total: 25 marks]

B 3

3.1 Explain what the concept of Foreign Direct Investment (DFI) entails (7 marks) pg 211-216 CH 10

3 2 Discuss the four major types of FDI mergers, acquisitions, brownfield investment and wholly-owned subsidiaries (Greenfield) (8 marks) pg 220-225 CH 10

3 3 Elaborate on the advantages FDI has for the host country (10 marks) pg 222-229 CH 10

[Total: 25 marks]

TOTAL **[50 marks]**

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SECOND PAPER

Global Business Management 1A

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Question No	Marks Examiners					
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UNISA

SECOND PAPER

MNB3701

May/June 2018

Global Business Management IA

Duration 2 Hours

70 Marks

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ANSWER SHEET

MAY/JUNE 2018
PAPER 2
GLOBAL BUSINESS MANAGEMENT

Examination centre

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SECTION A – QUESTION 1

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2	A	B	C	D
3	A	B	C	D
4	A	B	C	D
5	A	B	C	D
6	A	B	C	D
7	A	B	C	D
8	A	B	C	D
9	A	B	C	D
10	A	B	C	D
11	A	B	C	D
12	A	B	C	D
13	A	B	C	D
14	A	B	C	D
15	A	B	C	D

QUESTION	ANSWER			
16	A	B	C	D
17	A	B	C	D
18	A	B	C	D
19	A	B	C	D
20	A	B	C	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.**
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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

Question 3 pg 47

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

Question 4

It is often argued that Voluntary Export Restraints (VER) serve to pg. 204

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 pg 23

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

Question 6

Which ONE of the following best describes the concept "transaction exposure"? pg 174

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

Question 7

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Question 8 pg 24

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Question 9 pg 163

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 pg 72

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Question 11 pg

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

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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

Question 12 pg 42

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 pg 165

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

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Question 14 pg 8

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Question 15 pg 177

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Question 16 pg 196-197

The following are forms of trade barriers EXCEPT

1 export substitution

2 import substitution

3 infant industry argument

4 anti-dumping practices

Question 17 pg 256

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

Question 18

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

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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

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

Section B

- **Answer ANY TWO of the following three questions in this section, in the space provided for each question**
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Question B 1

1 1 Explain the concept of globalisation pg 4 (5 marks)

1 2 Explain the role of the World Trade Organisation (WHO) in the promotion of the international trade of goods and services How does this role differ from the role that GATT used to play? pg 23-24 (6 marks)

1 3 Discuss any three international trade theories that are support the integrity of the market pg 190 - 196 (9 marks)

Absolute Advantage Theory
Comparative Advantage Theory - Specialised -
intechter - Resources at disposal
MERCANTILISM - Governmental Intervention.
PLCT -
Porter THEORY

2.2 Fully discuss the characteristics of an emerging industry and the relevant strategies that an MNC should consider. **(10 marks)**

Emerging industries are regarded as newly formed or re-formed industries that are the product of technological innovation, newly emerging customer needs or other social or economic changes.

- There is technological uncertainty regarding the product standardization that will eventually unfold. MNC's with proprietary ownership of certain technologies could capitalize on this uncertainty and reap the benefits of the competitive advantage.
- The prevalence of inadequate information about competitors could lead to competitor uncertainty, and uncertainty about the strength of demand vis-à-vis buyers in the marketplace. Such uncertainty could present opportunities, which could create one or more competitive advantages.
- There is uncertainty as to how predictably the experience curve applies to those wishing to enter emerging industries. This is due to doubt regarding the initial costs which could be incurred by MNCs seeking to penetrate such industries, with uncertainty as to when corresponding costs will start declining.
- The dearth of entry barriers can be a catalyst to the formation of new firms.
- Raw materials and components are inaccessible, owing to suppliers not yet being ready to respond to the industry's needs.
- There is a need for high-risk capital, due to industry uncertainty.

Question 3

3.1 Explain the concept of Foreign Direct Investment (FDI) entails. **(5 marks)**

Foreign direct investment – according to the IMF, it is defined as the category of international investment that reflects the objective of a resident entity in one economy obtaining a lasting interest in an enterprise resident in another economy. The resident

1 4 Discuss the role of the capital market in the economy pg 46 (5 marks)

[Total. 25 marks]

Question B 2

2 1 In 1996, the World Bank established the worldwide governance indicators (WGI) which to measure the efficiency and effectiveness of individual country's political leadership Identify and discuss any FOUR criteria for which the World Bank uses to judge countries on the radar of efficient governance

CH2 pg 25-26. (12 marks)

Rule of Law

2 2 Fully discuss the characteristics of an emerging industry (5 marks)

Assignment 2
Newly formed / Reborned Industries - Product of Technology Innovations.
- Newly Customer Needs / other Social Economic changes.
Technology uncertainty that unfolds
Prevalence - competitor uncertainty.

2 3 "The governments of every country have a crucial role to play in ensuring peaceful coexistence among their people, and the world at large" Discuss the "rule of law" as one of the barometers used to by governments to ensure this role CH2 pg. 35

(8 marks)

[Total. 25 marks]

Question B 3

3 1 Explain what the concept of Foreign Direct Investment (DFI) entails (7 marks)

3 2 Discuss the four major types of FDI mergers, acquisitions, brownfield investment and wholly owned subsidiaries (8 marks)

3 3 Elaborate on the advantages FDI has for the host country (10 marks)

[Total· 25 marks]

TOTAL [50 marks]

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