

**MNI301J**

(479494)

October/November 2013

GLOBAL BUSINESS ENVIRONMENT

Duration 2 Hours

70 Marks

EXAMINERS .

FIRST

MS LA NTISO

SECOND

MR RA AREGBESHOLA

EXTERNAL

PROF OO FATOKI

Use of a non-programmable pocket calculator is permissible**Closed book examination.****This examination question paper remains the property of the University of South Africa and may not be removed from the examination venue**

This paper consists of 9 pages plus the cover page

INSTRUCTIONS**SECTION A:**This section consists of **20 multiple-choice questions**, worth 1 mark eachAnswer Section A on the **mark-reading sheet**

Total for this section is 20 marks

SECTION B:This section consists of **3 questions**Answer **Any 2 questions** of the **3 questions** in the **examination booklet**

Total for this section is 50 marks

Please ensure that you have filled in the following information on the **mark-reading sheet**:

Your student number

The module code **MNI301J** (Unique number: 480765)

SECTION A

This section consists of **20 multiple-choice questions**, worth 1 mark each
Answer Section A on the **mark-reading sheet**
Total for this section is 20 marks

Question 1

Which of the following best describes globalisation from a sociological perspective?

- 1 A growing interdependence of countries through variety of cross-border transactions in goods and services
- 2 A process that diminishes international borders through increasing the possibility of a global cultural homogeneity
- 3 An increasing integration of economies around the world through movement of goods and services across borders.
- 4 The sourcing of goods and services from around the globe to gain location-specific advantages in factors of production

Question 2

The following are the phases, through which a multinational enterprise evolves, **EXCEPT**:

- 1 Establishment of overseas branches and subsidiaries
- 2 Establishment of direct overseas sales and its department
- 3 Appointment of import manager
- 4 Appointment of export manager

Question 3

Which **ONE** of the following factors of external environment deals with examining the educational and income levels and language of the citizens of country X?

- 1 Political environment
- 2 Economic environment
- 3 Social environment
- 4 Legal environment

Question 4

Which ONE of the following IS NOT the objective of SADC?

- 1 To promote economic freedom
- 2 To promote political values
- 3 To eradicate poverty
- 4 To promote inter-sustaining development

Question 5

The following are the benefits derived from economic integration, **EXCEPT**:

- 1 Attracting foreign direct investment.
- 2 Improving a niche market.
- 3 Exploiting economies of scales
- 4 Increasing competition amongst members

Question 6

The following are the determinants of economic freedom as deemed by Index of Economic Freedom, **EXCEPT**:

- 1 The efficiency of the rule of law in the judiciary and the ability to enforce contracts.
- 2 The fiscal burden of government, which includes income tax rates.
- 3 Labour market regulations, such as established work weeks and mandatory separation pay.
- 4 Formal market activities excluding corruption, piracy and smuggling.

Question 7

Culture is rooted in history and passed on from one generation to the next, implying that culture is bound to evolve and change over time.

Which of the following implies that culture is relative?

- 1 Culture is not specific to individuals.
- 2 Cultures are different from one another to a greater or a lesser extent.
- 3 Culture is learned behaviour and is based on human capacity to change
- 4 Culture is transgenerational and intergenerational.

Question 8

Inflation is defined as the continuing general price increase of goods and services. In South Africa indices that are used to measure consumer-related price to include the following, **EXCEPT**:

- 1 The price changes of all goods and services that the typical consumer buys.
- 2 The price changes of all goods and services excluding mortgage bonds in the urban areas.
- 3 The price changes of imported goods, calculated at the point of entry.
- 4 The price changes of all goods and services excluding fresh meat, fruit and vegetables and interest on bank overdraft and value-added tax.

Question 9

According to Aregbeshola et.al, **ONE** of the benefits of privatisation is:

- 1 Narrowing and levelling capital markets.
- 2 Attracting local production and foreign investment.
- 3 Improving enterprise efficiency and performance
- 4 Assuming the mode of unrealistic perfect competition.

Question 10

Which of the following best explains why high inflation rates could potentially an increase in interest rate?

- 1 Interest rates are raised to discourage domestic credit consumption
- 2 Interest rates are raised to improve the purchasing power of the domestic currency.
- 3 Interest rates are raised to discourage domestic deposit in the face of a rapidly growing economy
- 4 Interest rates are raised to attract cheaper foreign imports in the face of lower domestic production.

Question 11

Religion generally influences the social and business environments. What values of Hindu society are important for international management?

- 1 Religious values, beliefs and traditions relating to work ethic, religious holidays and dietary habits may affect the effective operation of international firms.
- 2 Honesty and trust could result in companies readily committing resources in terms of collaborative arrangements and alliances.
- 3 Profits earned in fair business are justified, but may not result from exploitation or dishonesty.
- 4 Individuals with relatively greater political and economic freedom help in creating entrepreneurial free market capitalism and entrepreneurial initiative.

Question 12

Which **ONE** of the following is a motivation for a country to move from a command to a market economy?

- 1 New opportunity for the country to achieve information and knowledge transfer.
- 2 New opportunity to protect the home market from competitive pressures from foreign investors.
- 3 New opportunity for foreign investors to exploit the fragility of the economy to their own advantage.
- 4 New opportunity for a country to attain cross-cultural literacy.

Question13

The aim of operating financial strategies is to minimise the effect of changing exchange rates on the local firm's profitability. In guarding against currency appreciation and high inflation, the host-country's local subsidiary must do all of the following, **EXCEPT**:

- 1 Pay all debts that are denominated in strong currencies as quickly as possible.
- 2 Delay as far as possible paying obligations denominated in local currency.
- 3 Collect their debts as quickly as possible.
- 4 Take opportunity to sell fixed assets that cannot be affected by inflation.

Question 14

An anti-dumping policy is designed to redress the unfair trade practice. This policy is applied in order to:

- 1 Establish the framework for conducting and practising free trade.
- 2 Foster greater trade integration and liberalisation.
- 3 Protect domestic producers against unfair competition.
- 4 Increase local manufacturing of component parts.

Question 15

Identify which **ONE** of the following levels of international business culture is denoted by formulating, deciding and implementing strategies.

- 1 Professional culture
- 2 Business culture
- 3 National culture
- 4 Organisational culture

Question 16

Which of the following best describes an import substitution strategy?

- 1 The more an economy relies on foreign supply for critical goods and services, the more vulnerable it becomes to the supplier influence.
- 2 The more the country attracts foreign direct investment, the more foreign investors dominate industries where the country lacks competence and compatibility.
- 3 The more manufacturing activities take place in a country, the more efficiently wealth is distributed among economic agents.
- 4 Governments may use sanctions against countries with poor human right records, child labour practice and political tyranny.

Question 17

The decline in the value of a currency has no effect on the local deposit and purchasing power in the local market. Why does a translation exposure have the negative effect on the ownership shares?

- 1 The currency value of the parent MNEs in the consolidated balance sheet would decrease.
- 2 The initially unprofitable translation exposure can become lucrative.
- 3 The perceived solvency and debt-to-equity ratio would provide for more opportunity for borrowing in future
- 4 The perceived negative effect on the company's earnings as a result of translation exposure could lead to an increase in its share price in stock markets.

Question 18

According to internalisation theory, decision making is based on a comparison between organising activities through the market or firm. Therefore, the practical application of this theory may suggest that:

- 1 MNEs exist in order to organise interdependence between subsidiaries in different countries
- 2 MNEs aim to appropriate all returns from their technological advantages.
- 3 MNEs in a low marginal productivity of capital country will transfer capital to a higher marginal productivity country.
- 4 The local firm determines technology transfer via the consideration of spillover costs to MNEs.

Question 19

Which of the following is a key distinguishing feature of foreign direct investment (FDI) and international portfolio investment (IPI)?

- 1 IPIs are always responsive to the needs and aspirations of domestic communities.
- 2 The foreign investor's stake must be of the equity ownership form in the case of FDI.
- 3 The IPI transaction must involve the use of capital markets in ways that do not destabilise the domestic capital market.
- 4 IPI always imply a controlling ownership stake in the domestic firm

Question 20

The MNE can finance profitable foreign investments from either internal or external sources. Which of the following is NOT one the internal source of funding?

- 1 Borrowing from the parent company
- 2 Borrowing from parent country
- 3 Borrowing from sister subsidiary
- 4 Borrowing with parent company guarantee

[20]

Section B

This section consists of short-format questions. The following are instructions you should follow to answer these questions:

- **Answer ANY TWO of the following three questions in your examination answer book.**
- **Indicate the numbers of the questions that you answered clearly and correctly in your examination answer book.**
- **Indicate the number of questions answered on the COVER of the booklet.**

Question B1

B 1.1 Global economic integration is facilitated by the rules and regulations of global institutions such as the International Monetary Fund and the World Bank. Briefly discuss the three levels at which this integration presents itself

(9)

B 1.2 According to Professor J. Viner (1892 – 1970), economic integration yields two direct benefits, short-term and long-term effects. Clearly distinguish between the two effects.

(6)

B 1.3 The Southern African Development Community (SADC) was created to foster closer cooperation among the governments and people of southern Africa. Based on this statement, fully discuss the objectives of SADC

(10)

[25]

Question B2

- B 2.1 Identify and briefly discuss the reasons for which governments advocate the application of tariff barriers. (10)
- B 2.2 Discuss and explain the role and benefits of quotas as one of the most prominent tariff barriers in the history of international business. (7)
- B 2.3 Clarify the implications of trade barriers on both domestic and international economies To what extent can application of instruments of trade policy affect developing countries? (8)

[25]

Question B3

- B 3.1 Capital budgeting for foreign investment uses the same theoretical framework as domestic capital budgeting However, capital budgeting for international investment is considered to be more complex than for domestic projects. What distinctions according Eiteman, Stonehill & Moffett (2001), need vital consideration? (15)
- B 3.2 When analysing potential international capital investment, relevant political and economic risks are taken into consideration Discuss the risks associated with foreign investment and critically evaluate ways in which these risks can be adjusted for. (7)
- B 3.3 In starting a foreign production, the company has three methods from which to choose. Which are these methods? (3)

[25]

[TOTAL MARKS FOR SECTION B: 50]

PART 1 (GENERAL/ALGEMEEN) DEEL 1

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STUDIE-EENHEID by PSY100-X

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INITIALS AND SURNAME
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For use by examination invigilator
Vir gebruik deur eksamenopsiener

IMPORTANT

- 1 USE ONLY AN HB PENCIL TO COMPLETE THIS SHEET
- 2 MARK LIKE THIS ➡
- 3 CHECK THAT YOUR INITIALS AND SURNAME HAS BEEN FILLED IN CORRECTLY
- 4 ENTER YOUR STUDENT NUMBER FROM LEFT TO RIGHT
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