MCQs and questions.

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# MCQs and questions

# **Response to Question 1**

The term International business is used to jointly denote all commercial transactions occurring between more than one countries. Private companies and government organizations have their own reasons for perusing international transactions. International business is also defined as the interchange of goods, and services among business enterprises belonging to different countries thereby making a considerable business presence in more than one geographical location (Shenkar, Luo, & Chi, 2014). The international business allows a regional brand to go international and eventually global. Cross border activities are essential for the long-term success of an enterprise. Companies enter into international markets by exporting, importing, licensing, franchising, etc.

# **Response to Question 2**

Heckscher-Ohlin theory is an economic model that suggests that countries export what they can produce plentifully. It can be used as a guiding theory on how nations should use their resources. This model is also used to evaluate trade between two countries that have diverse resources (Baskaran, Blöchl, Brück, & Theis, 2011). Like the export theory, it also suggests that countries should go for import of resources they don’t have in abundance or can’t produce plentifully. It is a theory that guides in what way countries should operate when they have imbalanced resources. In addition, this model is not limited to the commodities but other factors of production as well.

# **Response to Question 3**

Value system can be defined as the hierarchy of values possessed by people demonstrated by the choices that make. Based on this value system, an individual decides what is good and bad, desirable or undesirable, and ethical or unethical. The value system of every individual differs from the other. A value system is made based on learnings from homes, school, family, society, books, movies, etc. Value systems also develop from some sources such as generics that is considered as a major determinant of our value system. In addition, some cultures also consider values such as peace, achievement, equity and mutual co-operation.

# **Response to Question 4**

The business and corporate life in South Africa faced drastic changes at the end of apartheid. Some of the positive changes in the business sector observed include the development of a free-market economy. A number of private companies emerged, and led to the development of a balanced local economy. Government programs encouraged international business, and transformed the South African business culture. The government also took initiatives to promote small businesses, and some of the South African corporations also got listed on the London Stock Exchange such as South African Breweries (SAB). The impact of these changes is visible in the current business environment of South Africa.

# **Response to Question 5**

TRIPS is an international legal agreement between the participants of the World Trade Organization (WTO) and it is referred to as the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). This agreement was negotiated at the end of GATT in 1994, and it sets down the lowest standard for intellectual property regulations by the local governments like the other members of WTO. In addition, this agreement introduced, for the first time, IP laws into a bilateral trading system. It is also considered as the most widespread IP law until date. TRIPS also resulted in the formation of bilateral agreements between nations.

# **Response to Question 6**

The Millennium Development Goals (MDGs) are, promoting gender equality, Improve maternal health, reduce child mortality, eradicating extreme poverty and hunger, fight HIV/AIDS, malaria, and other ailments, and developing a global co-operation for development, etc. The World Bank is dedicated to facilitating the attainment of the MDGs, and considers it as its goals. The fundamental issues on which the World Bank emphasizes include human rights, human capital, and infrastructure, aimed at enhancing the living standards. Human capital objectives comprise of education, healthcare, and nutrition. Infrastructure objectives consist of increasing sustainable practices for production, IT and safe drinking water. The human rights objectives deal with reducing violence, ensuring equal rights and women empowerment.

# **Response to Question 7**

The foreign exchange trading is executed by trading currency pairs, and quotes is used to refer to the price of these pairs. Quotes can be divided into two forms, direct and indirect. Direct and indirect quotation enables one to manage the exchange rates for each currency pair. A direct quotation differs from an indirect quotation in the ways units of currency is shown in the units of other currency. For instance, in the case of direct quotation, the cost of one unit of foreign currency is shown in units of domestic currency, and vice versa for an indirect quotation. Both the quotes are exactly opposite to each other.

# **Response to Question 8**

Partnering with local companies is considered as a necessity for effective business expansion in a foreign market. It can take different forms such as a simple co-marketing arrangement or a major strategic alliance with a local organization. However, a foreign company partnering with the local companies can face some difficulties owing to the lack of local market knowledge, and the difference in business cultures. Local partners can take benefit of incognizant foreign business partners for their advantage. Lack of knowledge and understandings can result in business failures such as the failed joint venture between TCL and Alcatel is an example.

# **Response to Question 9**

Export is one of the strategies companies can adopt to enter a foreign market. It can bring many benefits to the firm expanding its operations in an international market, however, relying only on export can bring many disadvantages to the firm. Companies need high investment to start export operations, and it is also sometimes challenging to find an import partner. The export business also requires license and fulfillment of regulatory requirements of the country in which export operations are initiated (Sinha & Sinha, 2009). Transportation cost in some states is also high, and cheating from importers is also a common phenomenon. Agents involved also charge money, and seasonal fluctuations may reduce profitability.

# **Response to Question 10**

The international strategy identifies the options or choices of the markets within, and outside the nation where the firm is competing. The international strategy of the firm including the offshoring, international outsourcing, or importing of the firm is crucial even if it is not selling its goods or services outside the nation. Importing also includes the purchasing of the goods by the other nation. To outsource vendor firm delegates the whole process for outsourcing. Vendors control the operation where outsourcer may perform their task within the same nation or any other nation. On the other hands, in offshoring company perform its function in other nation mostly at a lower cost. International outsourcing is the function that contracts to the nondomestic third party.

# Answers to MCQs

1 a=value chain

10 c=Threats

11 d= the vision and mission

12 d=International strategy accommodating local environments.

13 e= transnational strategy

14 a= global

15 option a

16 e=Economies of scale

17 a= offshoring

18 d=Cost-leadership

19 d=opportunities

20 option e

21 c= Strategy diamond

22 b= International outsourcing

23 e=sustainable competitive advantage

24 e=vertical scope

25 e=economies of scope

26 a=integrated cost leadership/differentiation strategy

27 c=mission statement

28 a= geographic scope

29 e=Transactional

30 b=assumes that consumer needs and desires vary by country.

# References

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