

01 Introduction to International Business

True / False

1. Customs brokers are government inspection officials who have the responsibilities of inspecting and regulating the shipment of goods and services imported into the United States.

- a. True
- b. False

ANSWER: False

2. Non-tariff barriers, such as technical standards, do not have a significant influence on how firms make their trade and investment decisions.

- a. True
- b. False

ANSWER: False

3. Small and medium-size companies lack the competitive advantage to compete with large multinational corporations and therefore have little to contribute to the international marketplace.

- a. True
- b. False

ANSWER: False

4. Intellectual property rights are valuable assets that can be licensed to a foreign licensee as a means to penetrate a foreign market rather than establish a wholly owned subsidiary.

- a. True
- b. False

ANSWER: True

5. Trade consists of the import and export of goods or services.

- a. True
- b. False

ANSWER: True

6. Exporting is the shipment of goods or rendering of services to a foreign buyer located in a foreign country.

- a. True
- b. False

ANSWER: True

7. The three forms of international business are exporting, importing, and licensing.

- a. True

b. False

ANSWER: False

8. Indirect exporters commonly employ the services of export trading companies and export management companies.

a. True

b. False

ANSWER: True

9. Indirect exporting but not direct exporting involves sales through sales agents or to foreign distributors.

a. True

b. False

ANSWER: False

10. International licensing agreements are contracts by which the holder of intellectual property grants certain rights in that property to a foreign firm for a specified period of time.

a. True

b. False

ANSWER: True

11. A potential negative aspect of the transfer of technology is that the licensee could be your competitor in the future.

a. True

b. False

ANSWER: True

12. A host country refers to the country under whose laws the investing corporation was created or is headquartered.

a. True

b. False

ANSWER: False

13. A home country refers to the country under whose laws the investing corporation was created or is incorporated.

a. True

b. False

ANSWER: True

14. Currency exchange risk cannot be managed because the fluctuations of currencies cannot be predicted.

a. True

b. False

ANSWER: False

15. A sovereign nation has the power to nationalize a foreign private enterprise without compensation.

a. True

b. False

ANSWER: False

16. Freight forwarders are regulated by the Department of State and arrange the transportation of goods for the importer and represent the importer with customs.

a. True

b. False

ANSWER: False

17. Freight forwarders act as the seller's or exporter's agent.

a. True

b. False

ANSWER: True

18. The World Intellectual Property Organization defines intellectual property rights as "legal rights which result from intellectual activity in the industrial, scientific, literary, and artistic fields."

a. True

b. False

ANSWER: True

19. A company that makes unauthorized copies of a movie and sells the copies on DVDs is infringing on the movie owner's intellectual property rights.

a. True

b. False

ANSWER: True

Multiple Choice

20. In *Dayan v. McDonald's Corporation*, the court ruled that:

a. McDonald's quality standards were inadequate under French law.

b. the McDonald's franchise contract was illegal under French law.

c. McDonald's had fulfilled its responsibility to the franchisee in France under U.S. law.

d. the French do not like hamburgers.

ANSWER: c

The type of risk that includes controls on exports, imports, controls on the movement of

currency, restrictions on licensing and investment, and controls over physical property located in a country is:

21. The type of risk that includes controls on exports, imports, controls on the movement of currency, r...

- a. legal risk.
- b. political risk.
- c. economic risk.
- d. currency risk.

ANSWER: b

22. Tariffs on imported products are imposed for which of the following reasons?

- a. Collection of revenue
- b. Protection of domestic industries
- c. To assert political objectives
- d. All of the above

ANSWER: d

Two examples of non-tariff barriers that refer to quantitative restrictions on importing and a total or near total ban on trade respectively are:

23. Two examples of nontariff barriers that refer to quantitative restrictions on importing and a total ...

- a. partial embargoes, embargoes.
- b. trade seizures, limits.
- c. embargoes, quotas.
- d. quotas, embargoes.

ANSWER: d

24. The shipment of goods or rendering of services to a foreign buyer located in a foreign country is:

- a. importing.
- b. exporting.
- c. foreign exchange.
- d. A and B.

ANSWER: b

25. The process of buying goods from a foreign supplier and entering them into the customs territory of a different country is:

- a. exporting.
- b. international exchange.
- c. trade by design.
- d. none of the above.

ANSWER: d

26. The two types of exporting are:

- a. impartial; partial.
- b. direct; indirect.
- c. foreign; domestic.
- d. individual; joint.

ANSWER: b

27. Export management companies assist indirect exporters by serving as:

- a. consultants.
- b. attorneys.
- c. foreign currency traders.
- d. accountants.

ANSWER: a

28. Firms that assist indirect exporters and are licensed to operate under the antitrust laws of the U.S. are:

- a. export management companies.
- b. indirect exporter merchants.
- c. export trading companies.
- d. none of the above.

ANSWER: c

29. International licensing agreements pertain to forms of intellectual property such as:

- a. government property.
- b. trademarks, copyrights, patents.
- c. real estate, personal property.
- d. contracts.

ANSWER: b

30. International franchising allows the franchisee the right to use a(n):

- a. export management company.
- b. export trading company.
- c. copyright.
- d. none of the above.

ANSWER: c

31. International business may be classified into which of the following three categories:

- a. trade, import/export, foreign exchange.
- b. international licensing agreements, investments, law.
- c. trade, international licensing agreements, investment.
- d. international licensing agreements, trade, franchising.

ANSWER: c

32. A cooperative business arrangement between two or more companies may be a:

- a. partnership.
- b. joint venture.
- c. corporation.
- d. all of the above.

ANSWER: d

33. The concept of local participation refers to:

- a. a portion of the employees of the business in the host country will be nationals of the home country.
- b. employees of the business contribute a certain number of hours to community service.
- c. a portion of the business must be owned by nationals of the host country.
- d. the host country retains mineral rights.

ANSWER: c

34. If a party does not fulfill their obligations as set forth in a sales contract, it is known as:

- a. non-payment.
- b. termination.
- c. non-performance.
- d. all of the above.

ANSWER: c

An independent firm that purchases goods for resale directly from the exporter, assumes credit risks in the local market, and provides product service and support is known as:

35. An independent firm that purchases goods for resale directly from the exporter, assumes credit risks...

- a. a foreign sales representative.
- b. a sales agent.
- c. a foreign distributor.
- d. a freight forwarder.
- e. a customs broker.

ANSWER: a

36. Which of the following statements most accurately describes the traditional economic climate in developing countries?

- a. They are largely communist countries.
- b. They have well-developed free market mechanisms.
- c. They have mixed economies with strong central planning features.
- d. The economies of developing countries make them practically unsuitable for Western companies to do business there.

ANSWER: c

37. Which of the following is not a characteristic of multinational corporations?

- a. The United States is usually their home nation.

- b. They derive capital resources worldwide.
- c. They operate facilities of production in more than one country.
- d. They move production, technology, and capital to those countries with the most hospitable environment.

ANSWER: a

38. In the case *In re Union Carbide Corporation Gas Plant Disaster at Bhopal*, the U.S. court ruled:

- a. that Union Carbide was criminally responsible for the deaths at the Indian plant.
- b. that Union Carbide was liable to the plaintiffs under Indian law.
- c. that Union Carbide was not responsible for the negligent acts of its subsidiary in India.
- d. that the case brought in U.S. courts should be transferred to the courts of India.

ANSWER: d

39. In *Gaskin v. Stumm Handel GmbH*, the District Court ruled:

- a. that employment contracts must be in writing.
- b. that the plaintiff was excused from performing a contract written in German because he understood only English.
- c. that the contract was unconscionable because it was written in a language foreign to the plaintiff.
- d. that the plaintiff's signing of a jurat document makes the signatory conclusively bound.

ANSWER: d

40. Which of the following does not generally characterize foreign distributors?

- a. They are independent firms.
- b. They are usually located in the country from which the goods are exported.
- c. They assume the risks of warehousing the goods.
- d. They often trail end users of the product.

ANSWER: b

41. Which of the following does not accurately characterize export management companies?

- a. They act as advisors or consultants.
- b. They engage in foreign market research.
- c. They exhibit goods at foreign trade shows.
- d. They use their extensive sales contracts to market the products of other companies.

ANSWER: d

The World Intellectual Property Organization, or WIPO, is a specialized agency of the:

42. New Question

- a. United Nations.
- b. World Trade Organization.
- c. World Customs Organization.
- d. International Chamber of Commerce.

ANSWER: a

Which of the following is NOT an example of the transfer of technology?

43. New Question

- a. Medical researchers at a university providing research data to a pharmaceutical company as part of an effort to find a cure for cancer.
- b. A computer programmer sharing her source code with the public via the Internet.
- c. A website designer downloading a copy of a photograph for use on a website, without the photographer's knowledge or permission.
- d. A franchisor teaching a new franchise owner how to set up and run his franchise, using the franchisor's methods and materials.

ANSWER: c

As a form of foreign direct investment, a foreign branch is a business presence by the investor in the _____ country.

44. New Question

- a. home
- b. host
- c. neighboring
- d. local

ANSWER: b

Subjective Short Answer

45. Compare and contrast the three basic forms of international business or market entry strategies.

ANSWER: Answers will vary.

46. Weigh the risks and benefits of entering the international market with those of entering or doing business in the domestic market.

ANSWER: Answer not provided.

47. Why do the risks to the firm increase as the penetration of the foreign market increases?

ANSWER: Answer not provided.

48. In what ways is doing business in the developing nations of Eastern Europe both similar and different from doing business in the United States? Western Europe?

ANSWER: Answer not provided.

49. Compare and contrast the benefits and risks of direct and indirect exporting.

ANSWER: Answer not provided.

50. Weigh the relative benefits and risks of a medium-sized American firm licensing technology to a developed nation? A developing nation?

ANSWER: Answer not provided.

51. How do you feel doing business in the Middle East would differ from doing business elsewhere? What special factors (e.g. religious differences, cultural variables, Arab-Israeli relations) bear on your answer?

ANSWER: Answer not provided.

52. Compare and contrast the ethical and strategic aspects of providing contract interpretation services to foreign business partners.

ANSWER: Answer not provided.

53. Compare and contrast possible methods of managing currency risk.

ANSWER: Answer not provided.

54. Choose a product and a country to which you wish to export that product. Prepare an export plan, identifying in particular the factors that would need to be addressed in order to ensure a successful venture.

ANSWER: Answer not provided.

55. Identify a domestic franchise. Craft a franchising agreement that addresses standards/quality or service (in the manner of McDonald's).

ANSWER: Answer not provided.

56. Devise "managerial guidelines" or "Troubleshooter's Guide" to which a U.S. franchise representative should refer in supervising or consulting with a new, foreign franchisee.

ANSWER: Answer not provided.

57. Design a business plan for doing business in the Middle East, addressing religious and cultural differences.

ANSWER: Answer not provided.