

***International Business, 9e (Griffin/Pustay)***

**Chapter 1 An Overview of International Business**

1) Which of the following would be considered an international business transaction?

- A) purchasing products in one country and assembling them in the same country
- B) recruiting employees internationally
- C) borrowing money from a major bank to finance capital improvements
- D) shipping finished products from one country to another for retail sale

Answer: D

Diff: 2

Skill: Concept

LO: 1.1: Discuss the meaning of international business.

AACSB: Analytical Thinking

2) Trade between nations can be traced back as far as \_\_\_\_\_.

- A) 2000 BC
- B) 500 BC
- C) 1200
- D) 1600

Answer: A

Diff: 2

Skill: Concept

LO: 1.1: Discuss the meaning of international business.

AACSB: Application of Knowledge

3) Which country was a significant focal point for international business during the Middle Ages?

- A) China
- B) England
- C) Italy
- D) Russia

Answer: C

Diff: 2

Skill: Concept

LO: 1.1: Discuss the meaning of international business.

AACSB: Application of Knowledge

4) Which of the following is a primary source of revenue for the IOC during the Olympics?

- A) television coverage
- B) public donations
- C) real estate sales
- D) international loans

Answer: A

Diff: 1

Skill: Concept

LO: 1.1: Discuss the meaning of international business.

AACSB: Application of Knowledge

5) A boundary less economy is one in which \_\_\_\_\_.

- A) exported goods are predominant
- B) regional borders are significant
- C) trade laws are strictly enforced
- D) national borders are irrelevant

Answer: D

Diff: 2

Skill: Concept

LO: 1.1: Discuss the meaning of international business.

AACSB: Application of Knowledge

6) Business transactions between parties from more than one country are known as international business.

Answer: TRUE

Diff: 1

Skill: Concept

LO: 1.1: Discuss the meaning of international business.

AACSB: Application of Knowledge

7) International business is more complex than domestic business.

Answer: TRUE

Diff: 2

Skill: Concept

LO: 1.1: Discuss the meaning of international business.

AACSB: Application of Knowledge

8) Small businesses are usually not involved in international business given the cost restrictions.

Answer: FALSE

Diff: 2

Skill: Concept

LO: 1.1: Discuss the meaning of international business.

AACSB: Application of Knowledge

9) The growth of FDI and MNCs first started during the American colonial period.

Answer: TRUE

Diff: 2

Skill: Concept

LO: 1.1: Discuss the meaning of international business.

AACSB: Application of Knowledge

10) How are the Olympic Games symbolic of international business?

Answer: The Olympics reflect an intense version of international business. Cities compete with each other to host the games because hosting the Olympics brings recognition and publicity to the city just as it does to a company brand name. In addition, the city benefits from increased travel, tourism, and investment by businesses supporting the Olympic games.

Diff: 3

Skill: Critical Thinking

LO: 1.1: Discuss the meaning of international business.

AACSB: Application of Knowledge

11) How does international business differ from domestic business? Why is it important for business students to learn about international business?

Answer: Domestic business involves transactions that occur within a single country, while international business involves transactions that cross national borders. Students should learn about IB because most large firms have global operations and many small firms are expanding into the international arena.

Diff: 3

Skill: Synthesis

LO: 1.1: Discuss the meaning of international business.

AACSB: Application of Knowledge

12) International business differs from domestic business in several ways. Identify at least three of these differences and describe their implications for companies.

Answer: The countries involved may use different currencies, requiring currency conversion and introducing exchange rate risk. Because the legal systems are different, one or more parties must adjust their practices to comply with local laws. Cultural differences and the availability of resources affects production of various items and production methods.

Diff: 3

Skill: Synthesis

LO: 1.1: Discuss the meaning of international business.

AACSB: Application of Knowledge

13) The Internet has helped small businesses compete in global markets because it \_\_\_\_\_.

A) allows them to establish a physical presence in each country

B) avoids transactions involving foreign exchange

C) eliminates price controls

D) reduces entry costs

Answer: D

Diff: 2

Skill: Concept

LO: 1.2: Explain the importance of understanding international business.

AACSB: Application of Knowledge

14) According to the CAGE Model, which of the following refers to the physical, communications, and transportation links between countries?

- A) cultural distance
- B) administrative distance
- C) geographic distance
- D) economic distance

Answer: C

Diff: 2

Skill: Concept

LO: 1.2: Explain the importance of understanding international business.

AACSB: Application of Knowledge

15) Individuals should most likely study international business to \_\_\_\_\_.

- A) comply with graduate school certification requirements
- B) ensure that an employer has a global online presence
- C) remain current on the latest business methods
- D) obtain bilingual business experience

Answer: C

Diff: 2

Skill: Concept

LO: 1.2: Explain the importance of understanding international business.

AACSB: Application of Knowledge

16) Which of the following has most likely triggered the increase of small businesses involved in international business?

- A) e-commerce
- B) economic recession
- C) foreign-made materials
- D) increased cultural literacy

Answer: A

Diff: 2

Skill: Concept

LO: 1.2: Explain the importance of understanding international business.

AACSB: Application of Knowledge

17) Just-in-time systems were created in \_\_\_\_\_.

- A) the United States
- B) Japan
- C) Germany
- D) China

Answer: B

Diff: 1

Skill: Concept

LO: 1.2: Explain the importance of understanding international business.

AACSB: Application of Knowledge

18) Just-in-time systems are used by firms to \_\_\_\_\_.

- A) store important data
- B) manage inventory
- C) monitor production
- D) screen job applicants

Answer: B

Diff: 2

Skill: Concept

LO: 1.2: Explain the importance of understanding international business.

AACSB: Application of Knowledge

19) Sony's suppliers deliver necessary inputs as they are needed by Sony. Sony is most likely using a(n) \_\_\_\_\_ system.

- A) cross-functional
- B) just-in-time
- C) inventory management
- D) on-demand delivery

Answer: B

Diff: 1

Skill: Application

LO: 1.2: Explain the importance of understanding international business.

AACSB: Application of Knowledge

20) Capital supplied by residents of one country to residents of another is known as \_\_\_\_\_.

- A) international investments
- B) host-country financing
- C) international franchising
- D) domestic inversion financing

Answer: A

Diff: 2

Skill: Concept

LO: 1.2: Explain the importance of understanding international business.

AACSB: Application of Knowledge

21) International business originally consisted of \_\_\_\_\_.

- A) FDI
- B) international trade
- C) licensing
- D) contract manufacturing

Answer: B

Diff: 1

Skill: Concept

LO: 1.2: Explain the importance of understanding international business.

AACSB: Application of Knowledge

22) It is important to study international business because you may work for a firm that is owned by a corporation that is headquartered in another country.

Answer: TRUE

Diff: 2

Skill: Concept

LO: 1.2: Explain the importance of understanding international business.

AACSB: Application of Knowledge

23) Why are small businesses becoming more involved in international business? What is the simplest way for a small business to globalize?

Answer: Technology allows small businesses to have access to customers without the previous expense and investment. Exporting is the simplest form of international business.

Diff: 3

Skill: Synthesis

LO: 1.2: Explain the importance of understanding international business.

AACSB: Information Technology

24) Why is it relevant for today's business students to study international business and to become culturally literate?

Answer: There are several reasons to study international business. Most large organizations will have international operations or be affected by the global economy. In addition, an understanding of international business will allow students to better assess career opportunities, interact more effectively with other managers, and keep pace with competitors. Furthermore, students may eventually work for a company headquartered in another country. Finally, small businesses are becoming more involved in international business. Being culturally literate means having an understanding of different countries and cultures. Having some knowledge of how a country or company fits into the global economy can help a business person earn respect, confidence, and a competitive edge.

Diff: 3

Skill: Critical Thinking

LO: 1.2: Explain the importance of understanding international business.

AACSB: Application of Knowledge

25) You are a manager at a small business, and the firm's CEO wants the firm to globalize. What suggestions would you offer to accomplish this task? Should the firm globalize? Why or why not?

Answer: Many small businesses today can take advantage of opportunities in foreign markets that were previously closed to them. The Internet has in a sense leveled the playing field to some degree for small businesses. A good Website allows companies to sell to consumers all over the world without the cost of developing a physical presence in each market. In addition, the Internet can allow companies to become more efficient in areas such as communication.

Diff: 3

Skill: Critical Thinking

LO: 1.2: Explain the importance of understanding international business.

AACSB: Analytical Thinking

26) Which of the following could be considered a major reason that a city would want to host the Olympic Games?

- A) to prevent the economic growth of competing nations
- B) the long-term benefits of tourism
- C) to test the capacity of national infrastructure
- D) to promote international harmony

Answer: B

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Analytical Thinking

27) Black and Decker produces tools at a plant in North Carolina and ships the tools to retailers in England. This is an example of which type of international business activity?

- A) merchandising
- B) importing
- C) exporting
- D) trading

Answer: C

Diff: 2

Skill: Application

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

28) \_\_\_\_\_ is the buying of products made in other countries for use or resale in one's own country.

- A) Exporting
- B) Importing
- C) Merchandising
- D) Transporting

Answer: B

Diff: 1

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

29) Sam's Club purchases kalamata olives from Greece for sale in its stores. Which international business activity does this represent?

- A) exporting
- B) importing
- C) merchandising
- D) franchising

Answer: B

Diff: 2

Skill: Application

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

30) The British term for the trading of tangible goods is \_\_\_\_\_.

- A) visible trade
- B) invisible trade
- C) merchandising
- D) service franchising

Answer: A

Diff: 1

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

31) The British term for the trading of intangible goods is \_\_\_\_\_.

- A) visible trade
- B) invisible trade
- C) merchandise exports and imports
- D) service exports and imports

Answer: B

Diff: 1

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

32) Boeing, an American firm, sells commercial aircraft to Lufthansa in Germany. This is an example of \_\_\_\_\_.

- A) exporting
- B) importing
- C) licensing
- D) franchising

Answer: A

Diff: 2

Skill: Application

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

33) Exports account for about \_\_\_\_\_ of Germany's gross domestic product?

- A) 31.2 percent
- B) 27.0 percent
- C) 50.3 percent
- D) 15.2 percent

Answer: D

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

34) The international business activity called \_\_\_\_\_ occurs when capital is supplied by residents of one country to residents of another country.

- A) international investment
- B) global direct investment
- C) portfolio financing
- D) state capitalism

Answer: A

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

35) \_\_\_\_\_ are investments made for the purpose of actively controlling property, assets, or companies located in host countries.

- A) Licensing investments
- B) Portfolio investments
- C) Foreign direct investments
- D) Indirect global investments

Answer: C

Diff: 1

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

36) Which term refers to the location of a parent company's headquarters?

- A) host country
- B) home country
- C) third country
- D) local country

Answer: B

Diff: 1

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

37) If a company is headquartered in Taiwan, then Taiwan is the company's \_\_\_\_\_.

- A) host country
- B) home country
- C) dominant country
- D) competitive country

Answer: B

Diff: 1

Skill: Application

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

38) Ford Motor Company is based in Detroit, Michigan. It also has offices in Germany, England, and China. Which of the following is Ford's home country?

- A) Germany
- B) England
- C) China
- D) United States

Answer: D

Diff: 2

Skill: Application

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

39) The \_\_\_\_\_ is where a company operates but is not headquartered.

- A) host country
- B) home country
- C) parental country
- D) third party country

Answer: A

Diff: 1

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

40) Siemens is headquartered in Germany but maintains operations in the United States. The United States is the \_\_\_\_\_ country.

- A) home
- B) host
- C) parent
- D) subsidiary

Answer: B

Diff: 2

Skill: Application

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

41) \_\_\_\_\_ are purchases of foreign financial assets for a purpose other than control.

- A) Foreign direct investments
- B) Global business investments
- C) Foreign portfolio investments
- D) Indirect investments

Answer: C

Diff: 1

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

42) If a Dutch pension fund purchases 1,000 shares of Sony's stock, the Dutch company has most likely \_\_\_\_\_.

- A) made a foreign direct investment
- B) made a foreign portfolio investment
- C) earned a higher return on assets
- D) earned a lower rate of return

Answer: B

Diff: 2

Skill: Application

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

43) Compared to Thailand, the United Kingdom has a \_\_\_\_\_ level of exports of goods and services as a percentage of GDP.

- A) slightly lower
- B) slightly higher
- C) significantly lower
- D) significantly higher

Answer: C

Diff: 3

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

44) Kraft purchased all of the common stock of Cadbury PLC. This is an example of \_\_\_\_\_.

- A) foreign portfolio investment
- B) foreign direct investment
- C) international expansion
- D) global licensing

Answer: B

Diff: 2

Skill: Application

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

45) McDonald's has licensed its brand name, operational systems, and trademarks to individual restaurant owners in Europe. This is called international \_\_\_\_\_.

- A) leasing
- B) marketing
- C) franchising
- D) diversifying

Answer: C

Diff: 2

Skill: Application

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

46) \_\_\_\_\_ is a contractual arrangement in which a firm in one country allows the use of its intellectual property by a firm in a second country in return for a royalty payment.

- A) Leasing
- B) Franchising
- C) Licensing
- D) Merchandising

Answer: C

Diff: 1

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

47) Licensing usually involves permission to use which of the following?

- A) real estate
- B) trademarks
- C) labor leasing
- D) production facilities

Answer: B

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

48) Walt Disney permits a German clothing manufacturer to market children's pajamas embroidered with Mickey Mouse in return for a percentage of company sales. This is an example of \_\_\_\_\_.

- A) franchising
- B) licensing
- C) leasing
- D) piracy

Answer: B

Diff: 2

Skill: Application

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

49) A(n) \_\_\_\_\_ involves a firm in one country agreeing to operate facilities for a firm in another country for an agreed fee.

- A) franchising agreement
- B) licensing agreement
- C) management contract
- D) indirect investment

Answer: C

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

50) Any organization that engages in cross-border commercial transactions with individuals, private firms, and/or public sector organizations is a(n) \_\_\_\_\_.

- A) multinational corporation
- B) multinational enterprise
- C) international business
- D) international franchise

Answer: C

Diff: 1

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

51) The term \_\_\_\_\_ is used to identify firms that have extensive involvement in international business.

- A) global operation
- B) multinational corporation
- C) international conglomerate
- D) multidomestic organization

Answer: B

Diff: 1

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

52) The International Red Cross is an example of a(n) \_\_\_\_\_.

- A) international business
- B) multinational enterprise
- C) multinational organization
- D) multinational corporation

Answer: C

Diff: 1

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

53) Which of the following is a common activity of MNCs?

- A) training of international managers
- B) buying resources in various countries
- C) inventing goods in a variety of countries
- D) establishing foreign exchange rates

Answer: B

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

54) Toyota, ExxonMobil, General Electric, and Volkswagen are all examples of \_\_\_\_\_.

- A) multinational corporations
- B) management contracts
- C) portfolio investments
- D) franchised firms

Answer: A

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

55) International nonprofit organizations are called \_\_\_\_\_.

- A) multinational corporations
- B) multinational organizations
- C) multinational enterprises
- D) multinational nonprofits

Answer: B

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

56) Which of the following is considered a BRIC nation?

- A) Britain
- B) Russia
- C) Indonesia
- D) Chile

Answer: B

Diff: 1

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

57) By 500 B.C.E., \_\_\_\_\_ merchants were exporting silk and jade to India and parts of Europe.

- A) American
- B) Chinese
- C) Japanese
- D) Greek

Answer: B

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

58) Which of the following is *not* considered a dominant institution in the Era of Globalization?

- A) World Trade Organization
- B) International Olympic Committee
- C) World Bank
- D) International Monetary Fund

Answer: B

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

59) The highest profile level in corporate sponsorship of the Olympics is that of worldwide partner.

Answer: TRUE

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

60) The primary benefit of worldwide partnership is the right to use the Olympic logo on all advertising by the sponsor.

Answer: FALSE

Diff: 3

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

61) A well-developed web-site can draw the business of consumers throughout the world without the need to establish a physical presence in each country.

Answer: TRUE

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

62) The Internet has facilitated the entry of small businesses into international markets.

Answer: TRUE

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Information Technology

63) Selling products made in one's own country for use or resale in other countries is known as importing.

Answer: FALSE

Diff: 1

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

64) Exports are relatively unimportant to the GDP of the Netherlands and Thailand but extremely important to India and Brazil.

Answer: FALSE

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

65) The desire for control is the primary difference between foreign direct investments and portfolio investments.

Answer: TRUE

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

66) The British call merchandise exports and imports visible trade.

Answer: TRUE

Diff: 1

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

67) The host country is where a foreign firm operates.

Answer: TRUE

Diff: 1

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

68) Multinational corporations engage in FDI and own or control value-adding activities in multiple countries.

Answer: TRUE

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

69) The International Olympic Committee is a multinational enterprise.

Answer: FALSE

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

70) The ratio of international trade to economic activity has been falling steadily in recent years.

Answer: FALSE

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

71) International licensing occurs when a firm in one country authorizes a firm in another country to use its operating systems, brand name, trademark, and logo in return for a royalty payment.

Answer: FALSE

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

72) Political change has provided greater access to international markets in recent times.

Answer: TRUE

Diff: 1

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

73) What is the difference between exporting and importing?

Answer: Exporting refers to products sent from the home country to other countries. Importing refers to products sent from other countries into the home country.

Diff: 1

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

74) What is the difference between the home country and the host country?

Answer: The home country is the country where the parent company's headquarters are located, while the host country includes any other country where the company operates.

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

75) What is a portfolio investment? How does it differ from foreign direct investment?

Answer: Portfolio investment refers to investments made for reasons other than control (such as for an attractive rate of return). Foreign direct investment is investment for the purpose of control.

Diff: 3

Skill: Application

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

76) Into what two categories can international investments be divided?

Answer: International investments can be divided into portfolio investments and foreign direct investments.

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

77) What is the difference between licensing and franchising?

Answer: Licensing is a contractual arrangement in which a firm in one country licenses the use of its intellectual property to a firm in a second country in return for a royalty payment.

Franchising is a specialized form of licensing which occurs when the franchisor authorizes the franchisee to utilize its operating system as well as its intellectual property.

Diff: 3

Skill: Application

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

78) Explain the difference among the terms multinational corporation, multinational enterprise, and multinational organization.

Answer: The difference is in the type of organization. A multinational corporation is an international for-profit company. Some large organizations are not actually corporations (such as accounting partnerships) and these are referred to as multinational enterprises. Multinational not-for-profits are referred to as multinational organizations.

Diff: 3

Skill: Application

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

79) What types of business activities are undertaken by MNCs?

Answer: MNCs buy resources in a variety of countries, create goods and services in a variety of countries, and sell those goods and services in a variety of countries.

Diff: 2

Skill: Concept

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

80) What is an international management contract? Provide an example to illustrate your answer.  
Answer: An international management contract is an arrangement wherein a firm in one country agrees to operate facilities or provide other management services to a firm in another country for an agreed-upon fee. High-end hotels often use management contracts. Marriott often doesn't own the hotels that bear the firm's name around the world, but instead Marriott operates the hotels under management contracts.

Diff: 3

Skill: Application

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

81) What are the two primary methods for conducting international business? What role has globalization played in these two methods?

Answer: The two main tools for conducting IB are international trade and international direct investment. Globalization has increased the role of international trade. In 1950, foreign trade accounted for only 1 percent of the GDP in the world's nations, and now it is up to 26 percent. Globalization has also led to increased FDI as citizens in one country invest in other countries.

Diff: 3

Skill: Synthesis

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

82) Briefly explain the strategic imperatives that motivate an organization to engage in international business.

Answer: There are several motivations for engaging in international business. Some organizations are motivated by a desire to leverage core competencies. Others enter international markets to acquire resources and supplies, such as, materials, labor, capital or technology. Seeking new markets is also a common reason for international expansion. Additionally, some organizations may enter international markets to better compete with rivals.

Diff: 3

Skill: Application

LO: 1.3: Identify and describe the basic forms of international business activities.

AACSB: Application of Knowledge

83) The integration of markets, nation-states, and technologies in a way that is enabling individuals, corporations, and nation-states to reach around the world farther, faster, deeper, and cheaper than ever before is referred to as \_\_\_\_\_.

A) international business organization

B) market internationalization

C) economic integration

D) globalization

Answer: D

Diff: 1

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

84) The ratio of international trade to economic activity has \_\_\_\_\_ since 1950.

- A) risen slightly
- B) risen dramatically
- C) fallen slightly
- D) remained about the same

Answer: B

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

85) The importance of foreign direct investment in the world's economy has \_\_\_\_\_ over time.

- A) fallen slightly
- B) fallen significantly
- C) risen significantly
- D) risen slightly

Answer: C

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

86) Which of the following is the most likely reason that firms globalize?

- A) boredom with existing markets
- B) the divesting of low-cost resources
- C) leveraging core competencies
- D) competing for public prestige

Answer: C

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

87) A \_\_\_\_\_ is a distinctive strength that is central to a firm's operations.

- A) core competency
- B) unilateral skill
- C) comparable advantage
- D) strategic imperative

Answer: A

Diff: 1

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

88) Which of the following is a primary reason that firms acquire resources and supplies from other countries?

- A) comply with trade regulations
- B) minimize resource competition
- C) decrease shipping and handling costs
- D) obtain items unavailable in home country

Answer: D

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

89) Which of the following is a likely reason that firms globalize?

- A) avoid strategic stagnation
- B) achieve economies of scale
- C) concentrate the firm's revenue stream
- D) increase dependence on home country sales

Answer: B

Diff: 3

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

90) Pepsi's reason for following Coca-Cola to new markets was most likely to \_\_\_\_\_.

- A) acquire resources and supplies
- B) leverage core competencies
- C) compete more effectively
- D) gain economies of scale

Answer: C

Diff: 3

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

91) After World War I, international business was primarily restricted by \_\_\_\_\_.

- A) import barriers
- B) export restrictions
- C) government contracts
- D) high transportation costs

Answer: A

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

92) After World War II, international business was primarily triggered by the \_\_\_\_\_.

- A) loss of high-quality Japanese goods
- B) reduction of tariffs and quotas
- C) improvement of transportation
- D) introduction of the Euro

Answer: B

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

93) Mexico and Poland are examples of \_\_\_\_\_.

- A) Second World economies
- B) emerging markets
- C) First World economies
- D) developed markets

Answer: B

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

94) What is the primary reason that U.S. advertising agencies frequently film commercials in South Africa?

- A) environmental safeguards
- B) improved competition
- C) low production costs
- D) new markets

Answer: C

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

95) Regional trade and investment has been made easier through which of the following?

- A) the Global Trade Institute
- B) Kyoto Protocol
- C) the Hanover Accord
- D) North American Free Trade Agreement

Answer: D

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

96) During the Cold War, which term was used when referring to the Soviet Union and its allied Communist states?

- A) First World
- B) Second World
- C) Third World
- D) Fourth World

Answer: B

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

97) During the Cold War, which term was used when referring to the United States, Australia, and Western Europe?

- A) First World
- B) Second World
- C) Third World
- D) Fourth World

Answer: A

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

98) During the Cold War, low-income countries in \_\_\_\_\_ were primarily considered suppliers of raw materials to First World countries.

- A) the United States
- B) Western Europe
- C) the Soviet Union
- D) Latin America

Answer: D

Diff: 1

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

99) Which two countries account for more than one-third of the world's population?

- A) Mexico and Brazil
- B) China and India
- C) Brazil and India
- D) Mexico and China

Answer: B

Diff: 1

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

100) Attacking and counterattacking rivals in every region of the world is common in the earthmoving equipment industry.

Answer: TRUE

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

101) Firms that enter new markets can benefit from economies of scale and diversified revenue streams.

Answer: TRUE

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

102) The World Trade Organization is the successor to the General Agreement on Tariffs and Trade.

Answer: TRUE

Diff: 3

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

103) Regional accords increase trade barriers among country members.

Answer: FALSE

Diff: 1

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

104) Globalization has allowed firms to expand into markets that, until recently, were insulated from the international marketplace.

Answer: TRUE

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

105) Emerging markets include countries such as the United States and Britain that are leading the globalization charge.

Answer: FALSE

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

106) The BRIC countries include Brazil, Russia, India, and China.

Answer: TRUE

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

107) Singapore Airlines has expanded into non-Asian markets by leveraging its core competencies, which include reliability and high customer satisfaction.

Answer: TRUE

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

108) The World Trade Organization and GATT helped reduce international trade barriers after World War II.

Answer: TRUE

Diff: 2

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

109) E-mail, smart phones, and tablet computers have facilitated the expansion of international markets.

Answer: TRUE

Diff: 1

Skill: Concept

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

110) What is globalization? What are some reasons for globalization's rapid spread in recent years?

Answer: Globalization can be defined as the inexorable integration of markets, nation-states, and technologies in a way that is enabling individuals, corporations, and nation-states to reach around the world farther, faster, deeper, and cheaper than ever before. The Internet and other communication technologies have triggered the rapid spread of international trade.

Diff: 3

Skill: Application

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

111) Is foreign direct investment more or less important to the world economy today as compared to 1980? Why do you think this is the case?

Answer: Foreign direct investment has risen significantly over time. In 2011, it accounted for over 30 percent of the world's GDP. Technology has enabled firms to expand overseas, and the business world is becoming more blended than segmented.

Diff: 2

Skill: Critical Thinking

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

112) What is a core competency? How do firms benefit from their core competencies?

Answer: A core competency is a distinctive strength or advantage that is central to a firm's operations. Firms use their core competencies in new markets and increase their revenues and profits.

Diff: 2

Skill: Application

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

113) Since World War II changes in two key areas have facilitated significant international expansion by firms. What are the two key areas of change?

Answer: Changes in the political environment and the technological environment have facilitated the international expansion of firms since World War II. Major trading powers negotiated tariff and quota reductions and eliminated FDI barriers.

Diff: 2

Skill: Application

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

114) What is an emerging economy? Provide examples of emerging economies.

Answer: An emerging economy is a country whose recent growth or prospects for future growth exceed that of traditional markets such as Western Europe. Brazil, Russia, India, and China are considered emerging markets.

Diff: 2

Skill: Application

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

115) Licensing, franchising, and management contracts are all forms of international business activity. Using examples, briefly define each form. What are the advantages and disadvantages of using these forms of activity?

Answer: Licensing is a contractual arrangement in which a firm in one country licenses the use of its intellectual property to a firm in a second country in exchange for royalty payments.

Licensing occurs when Walt Disney allows a foreign company to use the Mickey Mouse image on clothing. Franchising is a specialized form of licensing. It occurs when a firm in one country authorizes a firm in a second country to utilize its operating system as well as its intellectual property in exchange for payments. McDonald's authorizes franchises around the globe.

Management contracts involve an arrangement wherein a firm in one country operates facilities or provides other management services to a firm in another country for a fee. Hilton and Marriott utilize management contracts to operate overseas hotel properties. Each firm allows a company to earn fees for its assets (intellectual property, operating systems, and management services) while allowing another firm access to those assets. However, each allows the potential to create competition in another country by providing access to those assets.

Diff: 3

Skill: Synthesis

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

116) With respect to international trade, what was the policy of many leading nations at the conclusion of WWI?

Answer: Many nations, including the United States, France, the United Kingdom, and Germany, imposed tariffs and quotas on imported goods and favored local firms on government supply contracts.

Diff: 3

Skill: Synthesis

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

117) Explain how many scholars divided the world during the Cold War and the patterns of trade that existed among these divisions.

Answer: During the Cold War, many scholars divided the world into the First World that consisted of rich, major trading nations that aligned themselves with the United States, the Second World that consisted of the Soviet Union and its allies, and the Third World that consisted of low- to medium-income countries. Most international business activities took place between members of the First World. The Second World closed its borders to trade with the First World, and the Third World was viewed as a supplier of raw materials and commodities to the First World.

Diff: 3

Skill: Application

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge

118) What are some of the advantages and disadvantages of globalization in regards to its effects on emerging economies?

Answer: Globalization into emerging markets diminishes borders, provides job opportunities, and improves infrastructure. Critics argue that globalization into markets promotes the interest of corporations at the expense of communities, which often lack the labor laws and environmental protection laws to prevent human rights violations and the destruction of natural resources.

Diff: 3

Skill: Synthesis

LO: 1.4: Discuss the causes of globalization.

AACSB: Application of Knowledge