International Business 17th edition Daniels Test Bank

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International Business, 17e **(Daniels)**
Chapter 1 Globalization and International Business

1) In terms of international business, it is most accurate to say that _____.
A) there is a universal "best way" to conduct business
B) global competition affects large companies but not small ones
C) most firms depend either on foreign markets and supplies or compete against companies that do
D) government regulation of international business has little effect on a company's profits
Answer: C
Diff: 2
Skill: Concept
Objective: 1-1 Explain why and how the study of international business (IB) is important
AACSB: Reflective thinking

2) 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: 1
Skill: Application
Objective: 1-1 Explain why and how the study of international business (IB) is important
AACSB: Application of knowledge

3) Devon, an accounts manager at a large electronics firm, does not have any direct international responsibilities; however, Devon would most likely benefit from studying international business issues so that he can _____.
A) conduct better job interviews
B) better understand how foreign operations affect the company's competitive position
C) supervise and evaluate subordinates who have global assignments
D) understand the legalities of importing and exporting products overseas
Answer: B
Diff: 2
Skill: Application
Objective: 1-1 Explain why and how the study of international business (IB) is important
AACSB: Application of knowledge

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4) 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: 2
Skill: Concept
Objective: 1-1 Explain why and how the study of international business (IB) is important
AACSB: Reflective thinking

5) 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: 2
Skill: Concept
Objective: 1-1 Explain why and how the study of international business (IB) is important
AACSB: Reflective thinking

6) The widening set of interdependent relationships among people from different parts of the world is known as _____.
A) globalization
B) offshoring
C) franchising
D) outsourcing
Answer: A
Diff: 1
Skill: Concept
Objective: 1-2 Understand the relationship between globalization and IB
AACSB: Reflective thinking

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7) Which of the following best defines international business?
A) It includes all economic flows between two or more countries.
B) It includes all private economic flows between two or more countries.
C) It includes all business transactions involving two or more countries.
D) It includes all business transactions in countries other than your home country.
Answer: C
Diff: 2
Skill: Concept
Objective: 1-2 Understand the relationship between globalization and IB
AACSB: Reflective thinking

8) International business is more complex than domestic business.
Answer: TRUE
Diff: 1
Skill: Concept
Objective: 1-2 Understand the relationship between globalization and IB
AACSB: Application of knowledge

9) Globalization refers to all economic transactions among countries.
Answer: FALSE
Diff: 1
Skill: Concept
Objective: 1-2 Understand the relationship between globalization and IB
AACSB: Reflective thinking

10) Globalization has allowed firms to expand into markets that, until recently, were separated from the international marketplace.
Answer: TRUE
Diff: 1
Skill: Concept
Objective: 1-2 Understand the relationship between globalization and IB
AACSB: Application of knowledge

11) It is difficult to compare globalization of business over time because shifting national borders have changed the nature of transactions from domestic to international and vice versa.
Answer: TRUE
Diff: 2
Skill: Concept
Objective: 1-2 Understand the relationship between globalization and IB
AACSB: Application of knowledge

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12) Globalization enables companies to get a greater variety of products with better quality and with lower prices.
Answer: TRUE
Diff: 2
Skill: Concept
Objective: 1-2 Understand the relationship between globalization and IB
AACSB: Application of knowledge

13) What is globalization? What modes of international business are used by firms that want to globalize? Briefly describe each method.
Answer: Globalization refers to the widening set of interdependent relationships among people from different parts of a world that happens to be divided into nations. The term can also refer to the integration of world economies through the elimination of barriers to movements of goods, services, capital, technology, and people. Firms have many options available when they want to globalize their operations including licensing, franchising, turnkey operations, management contracts, and direct/portfolio investment.
a. Licensing and franchising–Licensing agreements are used when companies allow others to use their assets, such as trademarks, patents, copyrights, or expertise under contract. Franchising is a mode of business in which one party allows another party the use of a trademark that is an essential asset for the franchisee's business.
b. Turnkey operations–Refers to business operations, performed under contract, that are transferred to the owner when they are ready to begin operating.
c. Management contract–Refers to arrangements in which one company provides personnel to perform general or specialized management functions for another company.
d. Direct and portfolio investment–A direct investment is one that gives the investor a controlling interest in a foreign company. A portfolio investment is a noncontrolling interest in a company or ownership of a loan to another party.
Diff: 3
Skill: Synthesis
Objective: 1-2 Understand the relationship between globalization and IB
AACSB: Analytical thinking

14) The shifting of national borders has most likely created which of the following situations for international business?
A) It has left rural residents more isolated from technology.
B) It has complicated the understanding of behavioral factors affecting business.
C) It has increased physical barriers to exporting.
D) It has slowed communications between a company's headquarters and foreign operations.
Answer: C
Diff: 3
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Reflective thinking

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15) Which of the following is an indication of the increased globalization of business since the end of World War II?
A) Foreign trade has largely replaced foreign ownership as a means of conducting international business.
B) World trade has grown more rapidly than world production.
C) Globally, consumers now depend on foreign output for more than half their consumption.
D) Countries have increased their import restrictions to counter the rising tide of imports.
Answer: B
Diff: 3
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Reflective thinking

16) 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
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Application of knowledge

17) Most of the world's goods and services are sold _____.
A) in international markets
B) in the countries where they are produced
C) through exports to small countries
D) through exports to large countries
Answer: B
Diff: 2
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Reflective thinking

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18) Which of the following has NOT been a major force increasing globalization in recent decades?
A) liberalization of cross-border trade
B) increase in and expansion of technology
C) growing pressure from consumers
D) decreasing prices of natural resources
Answer: D
Diff: 2
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Reflective thinking

19) Which of the following has MOST influenced consumers to demand access to foreign-made products?
A) Declining global affluence has caused consumers to seek out lower-priced products from abroad.
B) Consumers have become more efficient in using media and technologies to compare prices worldwide.
C) Fearing that their governments will enact restrictive policies on imports, consumers are stocking up on foreign products before restrictions are put in place.
D) Expectations of rising prices of foreign products have caused consumers to seek foreign products before their prices become prohibitive.
Answer: B
Diff: 2
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Information technology

20) Which of the following best explains why international business has grown rapidly in the past few decades?
A) the end of the political division between the Communist and non-Communist blocs
B) greater income equality in most countries
C) growing concern about climate change
D) increased concerns about terrorism
Answer: A
Diff: 2
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Reflective thinking

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21) Advanced communication systems have contributed to growth in international business by _____.
A) enabling better oversight of global operations
B) reducing the effects of global competition
C) decreasing the cost of cargo transportation
D) reducing export regulations
Answer: A
Diff: 3
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Information technology

22) Imported flowers are now a stronger competitor to U.S. grown flowers in the U.S. market. Which of the following is likely the MOST important factor for this increase in imports?
A) more effective production techniques
B) advances in communication systems
C) advances in transportation and logistics
D) cross-national cooperation
Answer: C
Diff: 2
Skill: Application
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Reflective thinking

23) Because consumers want a greater variety of goods and services at lower prices, many governments have _____.
A) reduced their restrictions on the international movement of goods and services
B) acted to tax most imports at a lower rate than domestic products
C) sought to eliminate reciprocal advantages negotiated through international organizations and treaties
D) increased their participation in multinational problem-solving efforts
Answer: A
Diff: 3
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Application of knowledge

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24) Which of the following best explains recent governmental relaxation of restrictions on cross-border trade and resource movements?
A) Most countries face shortages of workers, so they seek immigrants who can help them produce more.
B) Governments believe that this will decrease the need to make their own companies more innovative.
C) Consumers increasingly want to buy goods and services produced in their own countries, making restrictions less necessary.
D) Governments believe that domestic producers will become more efficient as a result of foreign competition.
Answer: D
Diff: 3
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Analytical thinking

25) A company starting out with a global focus, usually because of the international experience of its founders, is called a _____.
A) multinational enterprise
B) transnational company
C) strategically allied company
D) born-global company
Answer: D
Diff: 1
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Analytical thinking

26) Assume an enterprise is considering establishment of a foreign production facility. Which of the following best supports this decision?
A) Its foreign competitors have higher production costs than it has.
B) Its main competitor successfully opened a foreign plant.
C) Its suppliers follow an agglomeration strategy.
D) None of its competitors have foreign production facilities.
Answer: B
Diff: 3
Skill: Critical Thinking
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Reflective thinking

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27) When a company successfully responds to foreign production and market opportunities, _____.
A) other companies will likely emulate its successful practices
B) it likely has a long-term advantage over competitors
C) it will downsize its domestic operations
D) its home government likely raises taxes on the company
Answer: A
Diff: 2
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Application of knowledge

28) Which of the following is NOT one of the three main reasons affecting international business for governments to cooperate with each other?
A) to attack problems jointly that one country acting alone cannot solve
B) to deal with issues that lie outside the territory of any nation
C) to gain reciprocal advantages
D) to establish a common language
Answer: D
Diff: 2
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Analytical thinking

29) Governments have signed treaties to protect foreign-owned property rights, such as investments and patents. A primary reason for doing so is to _____.
A) gain reciprocal advantages
B) reduce the domestic effects of other countries' economic policies
C) deal with areas of concern outside the territory of any one country
D) reduce national conflicts leading to violent political demonstrations
Answer: A
Diff: 2
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Analytical thinking

30) What is the most likely reason that governments cooperate with each other through treaties, agreements, and consultations?
A) to gain an advantageous division of labor
B) to be in compliance with United Nations' requirements
C) to attack problems jointly that one country acting alone cannot solve
D) to assure that all countries get an equitable share of taxes from multinational enterprises
Answer: C
Diff: 2
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Reflective thinking

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31) All of the following are areas in which commercial activities take place outside the territory of any nation EXCEPT _____.
A) noncoastal areas of the oceans
B) the Panama and Suez Canals
C) outer space
D) Antarctica
Answer: B
Diff: 2
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Application of knowledge

32) In a short essay, discuss why governments have been liberalizing cross-border movements of goods, services, and resources.
Answer: Generally, governments today impose fewer restrictions on cross-border movements than they did a decade or two ago. They have lowered them for the following reasons:
a. Their citizens have expressed the desire for easier access to a greater variety of goods and services at lower prices.
b. They reason that their domestic producers will become more efficient as a result of foreign competition.
c. They hope to induce other countries to reduce their barriers to international movements.
Diff: 3
Skill: Critical Thinking
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Application of knowledge

33) International business includes all commercial transactions between two or more countries.
Answer: TRUE
Diff: 1
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Reflective thinking

34) Globalization of business has been stimulated by institutional developments that aid foreign trade and investment.
Answer: TRUE
Diff: 1
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Application of knowledge

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35) The recent expansion of technology has contributed to the growth in international business by creating new products that are important in world trade.
Answer: TRUE
Diff: 1
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Information technology

36) Import restrictions are becoming less important because consumers increasingly want to buy goods and services produced in their own countries.
Answer: FALSE
Diff: 2
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Analytical thinking

37) Many companies merge with or acquire other companies to gain operating efficiencies that help them compete with or become global leaders.
Answer: TRUE
Diff: 2
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Analytical thinking

38) Governments primarily cooperate through treaties to create a global division of labor.
Answer: FALSE
Diff: 1
Skill: Concept
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Reflective thinking

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39) Why should domestic managers have an understanding of globalization and international business? What are the current views regarding the future of globalization?
Answer: International business comprises a large and growing portion of the world's total business. Global events affect almost all companies. A company operating internationally will engage in modes of business, such as exporting and importing, that differ from those it is accustomed to domestically. To operate effectively, managers must understand these different modes.

The three main views of the future of globalization are as follows: further globalization is inevitable, or international business will grow regionally rather than globally, or forces working against globalization will slow both trends. The view that increased growth in international business is inevitable is supported by the power of MNEs who have multiple production and distribution networks and are able to pressure governments to place fewer restrictions on international business. The view that growth will occur regionally rather than globally is based on studies that show that most "global" transactions actually occur between neighboring countries. Finally, the view that globalization will be slowed by pressure from the antiglobalization movement to raise barriers and reject international treaties and organizations stems from the success of such groups in the past.
Diff: 3
Skill: Synthesis
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Application of knowledge

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40) What are three factors that have led to the increased growth in international business in recent decades? Which do you think has been most important and why?
Answer:
a. Rapid increase in an expansion of technology–By increasing the demand for new products and services, technology has tremendous impact on international business. As the demand increases, so do the number of international business transactions. Improved communications and transportation speed up interactions and improve managers' ability to control foreign operations.
b. Liberalization of cross-border movements–Although the past decrease in restrictions has been erratic, governments have lowered barriers because their citizens have expressed the desire for better access to a greater variety of goods and services at lower prices. Governments also reason that their domestic producers will become more efficient as a result of foreign competition, and they hope to induce other countries to reduce their barriers to international movements.
c. Increase in global competition–The pressures of increased foreign competition can persuade a company to expand its business into international markets. Today companies can respond rapidly to many foreign sales opportunities. If they're experienced in foreign markets, they can shift production quickly among countries because they can transport goods efficiently from most places.
d. Growing consumer pressures–Consumers are savvier and have more income. They want to be able to buy the variety and low-cost products available from anywhere in the world.
e. Development of supporting services–Companies and governments have developed services that ease international business. Today, producers can be paid relatively easily for goods and services sold abroad because of bank credit agreements, clearing arrangements that convert one country's currency into another's, and insurance that covers damage en route and nonpayment by the buyer.
f. Changing political situations–The schism between communist and noncommunist countries is basically over, as communist countries have moved toward transitioning their economies; therefore, trade between these countries has increased.
g. Expanded cross-national cooperation–Countries realize they can't go it alone. They cooperate to gain reciprocal advantages, to attack problems jointly, and to deal with areas outside the confines of any country.
Diff: 3
Skill: Critical Thinking, Synthesis
Objective: 1-3 Grasp the forces driving globalization and IB
AACSB: Reflective thinking

41) Which of the following is the LEAST likely reason that small countries worry about overdependence caused by globalization?
A) A large country on which they depend may pressure them on political matters.
B) A large international firm may dictate its terms of operations in a small country.
C) A large company may exploit legal loopholes to avoid tax payments.
D) A large country may substantially increase its demand for the small country's production.
Answer: D
Diff: 3
Skill: Concept
Objective: 1-4 Discuss the major criticisms of globalization
AACSB: Analytical thinking

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42) Which of the following statements would most likely be made by a SUPPORTER of globalization?
A) Globalization encourages the adoption of uniform and superior standards for combating environmental problems.
B) Economic growth created by globalization is largely in services, which involves the use of few nonrenewable resources.
C) Global competition discourages resource-saving technologies, which are costly.
D) Air pollution and toxic runoff problems increase with global economic growth.
Answer: A
Diff: 3
Skill: Concept
Objective: 1-4 Discuss the major criticisms of globalization
AACSB: Analytical thinking

43) Limitation of logging in the Amazon region is generally viewed as environmentally beneficial for the planet as a whole; however, unemployed Brazilian workers have felt that job creation inside Brazil is more important than climate protection outside Brazil. This example best illustrates which of the following?
A) why smaller countries are concerned that large international companies are powerful enough to dictate operating terms
B) why globalization is needed to foster uniform standards for combating environmental problems
C) how cultural homogeneity threatens the cultural foundation of smaller nations
D) how global interests can conflict with a country's local interests
Answer: D
Diff: 3
Skill: Application
Objective: 1-4 Discuss the major criticisms of globalization
AACSB: Application of knowledge

44) Although globalization may bring economic growth, critics nevertheless contend that _____.
A) the growth is too fast
B) the inequality of gains puts some people in a relatively worse economic situation
C) this growth is mainly for the future, thus ignoring present economic growth needs
D) the cultural foundations of sovereignty are supported by globalization
Answer: B
Diff: 3
Skill: Concept
Objective: 1-4 Discuss the major criticisms of globalization
AACSB: Reflective thinking

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45) Which of the following statements would most likely NOT be supported by an advocate of offshoring?
A) Offshoring increases the number of high-value jobs in the home countries of offshoring companies.
B) Offshoring is fundamentally better for workers than the introduction of labor-saving technologies.
C) Workers displaced due to offshoring are able to find new jobs as easily as those displaced by technology.
D) There are upper limits to offshoring because of the lack of skilled workers willing to work permanently for low wages.
Answer: B
Diff: 3
Skill: Concept
Objective: 1-4 Discuss the major criticisms of globalization
AACSB: Application of knowledge

46) A major criticism of offshoring is that it _____.
A) increases production costs
B) exchanges good jobs for bad jobs
C) threatens the sovereignty of larger countries
D) allows companies to avoid payment of any taxes
Answer: B
Diff: 2
Skill: Concept
Objective: 1-4 Discuss the major criticisms of globalization
AACSB: Application of knowledge

47) Critics of offshoring claim all EXCEPT which of the following?
A) Cost savings are seldom passed on to final consumers.
B) Offshoring reduces the incomes of people in low-wage countries.
C) Incomes of workers in countries whose companies offshored production have gone down as a percentage of national income.
D) Many workers who have been displaced by offshoring do not have the skills needed for higher-value jobs.
Answer: B
Diff: 2
Skill: Concept
Objective: 1-4 Discuss the major criticisms of globalization
AACSB: Analytical thinking

48) Supporters of globalization assert that the process helps countries strengthen their sovereignty.
Answer: FALSE
Diff: 2
Skill: Concept
Objective: 1-4 Discuss the major criticisms of globalization
AACSB: Analytical thinking

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49) A criticism of globalization is that as economic growth increases, too many nonrenewable resources are used.
Answer: TRUE
Diff: 2
Skill: Concept
Objective: 1-4 Discuss the major criticisms of globalization
AACSB: Ethical understanding and reasoning

50) The process of shifting production to a foreign country is known as outsourcing.
Answer: FALSE
Diff: 1
Skill: Concept
Objective: 1-4 Discuss the major criticisms of globalization
AACSB: Reflective thinking

51) Critics of offshoring assert that the short-term cost savings derived from offshoring hinder firms from developing more efficient production methods.
Answer: TRUE
Diff: 2
Skill: Concept
Objective: 1-4 Discuss the major criticisms of globalization
AACSB: Analytical thinking

52) The process of shifting production from a domestic to a foreign location is best known as _____.
A) offshoring
B) outsourcing
C) licensing
D) joint venturing
Answer: A
Diff: 1
Skill: Concept
Objective: 1-5 Assess the major reasons companies seek to create value by engaging in IB
AACSB: Application of knowledge

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53) Assume that company executives at the firm would like to increase sales by expanding into an international market. Which of the following factors, if true, best supports a decision to expand sales globally?
A) It can offshore most of its production.
B) It can obtain all of its resources for the same price overseas.
C) Its costs of making additional sales would not increase disproportionately.
D) The foreign market has higher real interest rates.
Answer: C
Diff: 3
Skill: Critical Thinking
Objective: 1-5 Assess the major reasons companies seek to create value by engaging in IB
AACSB: Reflective thinking

54) Kevin, marketing manager of the North American Bowling League, has decided to televise major bowling competitions to viewers in multiple countries rather than only in Canada and the U.S. Which of the following goals would this most likely help Kevin accomplish?
A) acquiring new resources
B) minimizing corporate risks
C) increasing sales and profits
D) obtaining competitive advantages
Answer: C
Diff: 2
Skill: Application
Objective: 1-5 Assess the major reasons companies seek to create value by engaging in IB
AACSB: Reflective thinking

55) Which of the following BEST explains how a firm reduces risk by operating internationally?
A) taking advantage of business-cycle differences among countries
B) buying competitive risk insurance unavailable domestically
C) preventing competitors from operating in the countries it has entered
D) operating in less competitive environments than those at home
Answer: A
Diff: 2
Skill: Concept
Objective: 1-5 Assess the major reasons companies seek to create value by engaging in IB
AACSB: Analytical thinking

56) Carnival Cruise Lines lowers its taxes by all of the following EXCEPT _____.
A) hiring host-country nationals who pay no taxes
B) taking advantage of taxation laws in foreign countries
C) sailing in international waters outside countries' tax jurisdiction
D) paying substantial port fees instead of taxes during stopovers
Answer: A
Diff: 2
Skill: Concept
Objective: 1-5 Assess the major reasons companies seek to create value by engaging in IB
AACSB: Application of knowledge

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57) A flag of convenience is _____.
A) the declaration that a product is made in a country that has easier legal access to a given foreign market
B) a designation for products originating within a particular trading group
C) the registration of a ship by a shipping company in a country that charges low taxes
D) the indication that a shipping organization can sail in international waters
Answer: C
Diff: 2
Skill: Concept
Objective: 1-5 Assess the major reasons companies seek to create value by engaging in IB
AACSB: Application of knowledge

58) By operating internationally, a company may take advantage of business-cycle differences among countries and thereby reduce its financial risks.
Answer: TRUE
Diff: 2
Skill: Concept
Objective: 1-5 Assess the major reasons companies seek to create value by engaging in IB
AACSB: Analytical thinking

59) The terms multinational corporation and multinational company are frequently used synonyms for strategic alliances.
Answer: FALSE
Diff: 2
Skill: Concept
Objective: 1-5 Assess the major reasons companies seek to create value by engaging in IB
AACSB: Application of knowledge

60) What is foreign direct investment? What social factors in the external environment might affect FDI?
Answer: In foreign direct investment (FDI), sometimes referred to simply as direct investment, the investor takes a controlling interest in a foreign company. Control need not be a 100 percent or even a 50 percent interest; if a foreign investor holds a minority stake and the remaining ownership is widely dispersed, no other owner may effectively counter the investor's decisions. A nation's political policies of course affect how international business is conducted within its borders. In particular, political disputes can disrupt the flow of international business. Domestic law, which includes both home- and host-country regulations on issues such as taxation and employment, affects how a company can operate internationally. International law–the legal agreements between countries–also obviously affects FDI.
Diff: 3
Skill: Synthesis
Objective: 1-5 Assess the major reasons companies seek to create value by engaging in IB
AACSB: Application of knowledge

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61) _____ 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
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

62) 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: Concept
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

63) An example of a U.S. merchandise import is an automobile made in _____ and sold _____.
A) the United States by a Japanese company; in the United States
B) the United States by a Japanese company; outside the United States
C) Japan by a Japanese company; in the United States
D) Japan by a U.S. company; outside the United States
Answer: C
Diff: 2
Skill: Application
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

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64) Visible exports and imports are _____.
A) merchandise imports and exports
B) the sum total of goods and services traded
C) international transactions paid for in money rather than barter
D) typically, a country's least common international economic transactions
Answer: A
Diff: 1
Skill: Concept
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

65) An example of a Japanese service export is a visit by a _____.
A) Japanese citizen to Disneyland in the United States
B) Japanese citizen to the Japan Pavilion at Epcot Center in the United States
C) U.S. citizen to the Japan Pavilion at Epcot Center in the United States
D) U.S. citizen to Tokyo Disneyland in Japan
Answer: D
Diff: 2
Skill: Application
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

66) _____ 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: Application
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

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67) Reebok pays a royalty to the German Soccer League to use the team's logo on t-shirts that it sells. Reebok and the German Soccer League most likely have a _____.
A) turnkey operation contract
B) licensing agreement
C) portfolio investment
D) joint venture
Answer: B
Diff: 2
Skill: Application
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

68) 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: Application
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

69) A foreign direct investment occurs when _____.
A) a company owns at least 25% of a foreign firm
B) a company has a controlling interest in a foreign company
C) foreign ownership is in private rather than government securities
D) a foreign firm agrees to a licensing agreement with a large conglomerate
Answer: B
Diff: 2
Skill: Concept
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

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70) Which term refers to two or more companies that share ownership of an FDI?
A) turnkey operation
B) transnational firm
C) joint venture
D) franchise
Answer: C
Diff: 1
Skill: Concept
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Analytical thinking

71) A multinational enterprise (MNE) is best defined as a firm _____.
A) that is a member of the Fortune 500
B) with foreign business partners
C) involved in global franchising
D) with foreign direct investments
Answer: D
Diff: 1
Skill: Concept
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Analytical thinking

72) The term used by the United Nations as a synonym for multinational enterprise is _____.
A) multinational corporation
B) transnational company
C) international firm
D) born-global
Answer: B
Diff: 1
Skill: Concept
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

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73) The owner of a U.S. football team and the owner of a Canadian hockey team purchase a British soccer team. This is an example of a _____.
A) royalty
B) portfolio investment
C) turnkey operation
D) joint venture
Answer: D
Diff: 2
Skill: Application
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Analytical thinking

74) 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: Application
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

75) Services constitute the fastest growth sector in international trade.
Answer: TRUE
Diff: 1
Skill: Application
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

76) Merchandise exports and imports are tangible products—goods—that are respectively sent *out* of and brought *into* a country.
Answer: TRUE
Diff: 2
Skill: Application
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

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77) The production of goods by a French company in Italy for sale in Italy is an example of an Italian merchandise import.
Answer: FALSE
Diff: 2
Skill: Application
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

78) When a U.S. citizen flies Japan Airlines, the airline acts as a service exporter for Japan.
Answer: TRUE
Diff: 2
Skill: Application
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

79) A joint venture is an example of a portfolio investment.
Answer: FALSE
Diff: 2
Skill: Concept
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

80) The ownership of foreign bonds is an example of a portfolio investment.
Answer: TRUE
Diff: 2
Skill: Concept
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

81) The fact that a company is the market leader in one country is no guarantee that it will be the leader in another country.
Answer: TRUE
Diff: 2
Skill: Concept
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Analytical thinking

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82) What are the differences between merchandise and service imports and exports? Provide examples to illustrate your answer.
Answer:
a. Merchandise exports are tangible products–goods–sent out of a country. Merchandise imports are goods brought into a country. When a Chinese contractor sends toy action figures from China to Hasbro in the United States, the contractor exports and Hasbro imports.
b. Service exports and imports generate nonproduct international earnings. The company or individual receiving payment is making a service export. The company or individual paying is making a service import. When an American tourist stays at a hotel in London, the hotel stay is the service export.
Diff: 2
Skill: Application
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

83) What is a multinational enterprise (MNE)? How do physical and social factors affect how an MNE functions in a foreign country?
Answer: The multinational enterprise (MNE) is a company that takes a global approach to foreign markets and production. It is willing to consider market and production locations anywhere in the world. However, most writers use the term to mean any company with operations in more than one country. Physical factors, such as a country's geography or demography, and social factors, such as its politics, law, culture, and economy, influence the functioning of an MNE. Physical and social factors can affect how companies produce and market products, staff operations, and even maintain accounts. Geographic barriers–mountains, deserts, jungles, and so forth–often affect communications and distribution channels. And the chance of natural disasters and adverse climatic conditions (hurricanes, floods, droughts, earthquakes, volcanic eruptions, tsunamis) can make business riskier in some areas than in others, while affecting supplies, prices, and operating conditions in far-off countries.
Diff: 3
Skill: Synthesis
Objective: 1-6 Define and illustrate the different operating modes for companies to accomplish their international objectives
AACSB: Application of knowledge

84) Managers who are knowledgeable about _____ are better able to identify the location, quantity, quality, and availability of the world's natural resources.
A) political factors
B) geographic factors
C) competitive factors
D) cultural factors
Answer: B
Diff: 1
Skill: Concept
Objective: 1-7 Recognize why national differences in companies' external environments affect how they may best improve their IB performance
AACSB: Analytical thinking

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85) Although the U.S. film industry depends heavily on revenue in foreign countries, revenue from international markets is usually low for a sports-themed film. This is most likely due to _____ factors.
A) political
B) geographic
C) behavioral (cultural)
D) legal
Answer: C
Diff: 2
Skill: Concept
Objective: 1-7 Recognize why national differences in companies' external environments affect how they may best improve their IB performance
AACSB: Application of knowledge

86) In addition to understanding the laws affecting business in countries where their companies operate, it is most important for managers to understand the _____.
A) methods for appointing local judges
B) ethical rationale behind the laws
C) history of the local legal system
D) degree of law enforcement
Answer: D
Diff: 2
Skill: Concept
Objective: 1-7 Recognize why national differences in companies' external environments affect how they may best improve their IB performance
AACSB: Analytical thinking

87) Some key _____ factors in a company's international business external environment are its product strategy and access to resources.
A) geographic
B) political
C) competitive
D) behavioral
Answer: C
Diff: 1
Skill: Concept
Objective: 1-7 Recognize why national differences in companies' external environments affect how they may best improve their IB performance
AACSB: Reflective thinking

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88) The same automobile company produces Fiats and Ferraris. The company builds an engine plant in China with low production costs for Fiats but not Ferraris. The probable reason is that _____.
A) Fiat competes mainly on a focus strategy, whereas Ferrari competes mainly on a mass-market strategy
B) Fiat competes mainly on a mass-market strategy, whereas Ferrari competes mainly on a focus strategy
C) Ferrari faces global competitors in China, whereas Fiat competes in China mainly against Chinese competitors
D) although Ferrari did not build an engine plant, it will use the same Fiat engines in its models
Answer: B
Diff: 3
Skill: Application
Objective: 1-7 Recognize why national differences in companies' external environments affect how they may best improve their IB performance
AACSB: Application of knowledge

89) Elway, a computer firm, has high foreign sales in Asia and wants to expand sales into Europe. Which of the following statements provides the most appropriate advice for Elway executives?
A) Although countries' market sizes differ, companies usually face about the same number of competitors in each national market.
B) In most industries, companies face the same competitors in each country where they operate.
C) It takes about the same amount of resources to gain national distribution in one country versus another.
D) Being a leader in one country does not guarantee market leadership in another country.
Answer: D
Diff: 3
Skill: Critical Thinking
Objective: 1-7 Recognize why national differences in companies' external environments affect how they may best improve their IB performance
AACSB: Reflective thinking

90) When companies face the same competitors in almost all countries where they operate, _____.
A) what they learn about one another in one country is useful in predicting the others' strategies and actions elsewhere
B) the market leader is the same everywhere
C) there is less need to understand the physical and societal factors of each country
D) they are less likely to enter joint ventures with other companies
Answer: A
Diff: 2
Skill: Concept
Objective: 1-7 Recognize why national differences in companies' external environments affect how they may best improve their IB performance
AACSB: Analytical thinking

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91) The view that globalization is inevitable is most likely based on the belief that _____.
A) international organizations will replace nation-states
B) protesters against globalization will be persuaded to change their views
C) people want more global homogeneity of cultures
D) technical advances in transportation and communications are highly persistent
Answer: D
Diff: 3
Skill: Concept
Objective: 1-7 Recognize why national differences in companies' external environments affect how they may best improve their IB performance
AACSB: Analytical thinking

92) Critics of the view that regionalization will prevail over globalization most likely base their argument on the belief that _____.
A) regionalization is a transition stage toward globalization
B) neighboring countries are more apt to disagree politically than distant countries
C) neighboring countries are too geographically similar to benefit from trade
D) business in non-territorial areas is not regional
Answer: A
Diff: 3
Skill: Concept
Objective: 1-7 Recognize why national differences in companies' external environments affect how they may best improve their IB performance
AACSB: Reflective thinking

93) Which of the following is NOT a common argument for the slowing of future globalization?
A) Antiglobalization interests have been successful in electing parties that oppose freer movement of trade or people.
B) Technological, transportation, and communication advances will decline in the near future.
C) Major countries have either ignored certain international treaties or have refused to sign them.
D) The growing split between those who succeed in a global environment and those who do not will foster greater antiglobalization sentiments.
Answer: B
Diff: 3
Skill: Concept
Objective: 1-7 Recognize why national differences in companies' external environments affect how they may best improve their IB performance
AACSB: Reflective thinking

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94) Some observers feel that international institutions and the people working in them cannot adequately handle the complexities of an interconnected world. Based on this, these observers believe that _____.
A) globalization will slow in the future
B) globalization is nevertheless inevitable
C) international business will grow primarily on a regional basis
D) private companies will replace international organizations in running the world's economy
Answer: A
Diff: 3
Skill: Concept
Objective: 1-7 Recognize why national differences in companies' external environments affect how they may best improve their IB performance
AACSB: Reflective thinking

95) Geographical barriers typically affect distribution channels within countries, but they rarely affect distribution channels between countries.
Answer: FALSE
Diff: 2
Skill: Concept
Objective: 1-7 Recognize why national differences in companies' external environments affect how they may best improve their IB performance
AACSB: Analytical thinking

96) Managers need to understand not only the laws of countries where they operate, but also how those laws are enforced.
Answer: TRUE
Diff: 2
Skill: Concept
Objective: 1-7 Recognize why national differences in companies' external environments affect how they may best improve their IB performance
AACSB: Reflective thinking

97) A company with limited resources is more likely to achieve national distribution within a small country than within a large country.
Answer: TRUE
Diff: 2
Skill: Concept
Objective: 1-7 Recognize why national differences in companies' external environments affect how they may best improve their IB performance
AACSB: Analytical thinking

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98) The view that regionalization, rather than globalization, will prevail in the future is largely based on the use of common languages among countries in a region.
Answer: FALSE
Diff: 2
Skill: Concept
Objective: 1-7 Recognize why national differences in companies' external environments affect how they may best improve their IB performance
AACSB: Reflective thinking

99) In a short essay, identify and explain three competitive factors that influence international businesses.
Answer:
a. Product strategy–A company's choice of strategy, either cost or differentiation, plays a part in determining how and where the company will operate.
b. Company resources and experience–A company's size, resources, and experience in comparison to competitors' affects how it will operate in international markets. In addition, a company's national market share and brand recognition will affect the operating tactics it employs.
c. Competitors faced in each market–Success for a company in any market will always be influenced by the strategies and operations of competitors within the market.
Diff: 2
Skill: Application of Knowledge
Objective: 1-7 Recognize why national differences in companies' external environments affect how they may best improve their IB performance
AACSB: Application of knowledge

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