



**STRATHMORE INSTITUTE**  
**DIPLOMA IN INTERNATIONAL RELATIONS**  
**END OF SEMESTER EXAMINATION**  
**DIR 1202: INTERNATIONAL BUSINESS AND DEVELOPMENT**

**DATE: 17<sup>th</sup> DECEMBER 2018**

**TIME: 2 Hours**

**Instructions**

1. This examination consists of **FIVE** questions
2. Answer **question ONE (COMPULSORY)** and any other **TWO** questions

**SECTION A: (30 MARKS)**

**QUESTION ONE**

- (a) **Multiple Choice Questions:** *Indicate the correct option (e.g. A/B/C/D/E/F) on the answer booklet.* **(20 marks)**

- i) 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
- ii) International business includes a type of business activity that cross
  - A. National Borders
  - B. State Borders
  - C. Regional Borders
  - D. Local Borders
- iii) According to the theory of comparative advantage, which of the following is not a reason why countries trade?
  - A. Comparative advantage.
  - B. Costs are higher in one country than in another.
  - C. Prices are lower in one country than in another.
  - D. The productivity of labor differs across countries and industries.
  - E. Exports give a country a political advantage over other countries that export less.

- iv) Which of the following statements would a mercantilist not agree with?
- A. Imports are desirable.
  - B. Trade is a zero-sum activity.
  - C. The purpose of trade is to amass revenues from exports.
  - D. A country can benefit by granting monopoly rights to individuals.
  - E. Policies should promote exports and discourage imports.
- v) If international trade takes place as a result of comparative advantage, it will cause which of the following effects in the participating countries?
- A. Inequality among households will be reduced.
  - B. All individuals in each country will be better off.
  - C. The average well-being of people in both countries will increase.
  - D. Both countries will grow faster over time.
  - E. All of the above.
- vi) Firms choose FDI over exporting in order to:
- A. Avoid high transportation costs
  - B. Protect technological know-how
  - C. Avoid trade barriers
  - D. Both A and C
- vii) A company that establishes a new operation in a foreign country has made
- A. An acquisition
  - B. A merger
  - C. A greenfield investment
  - D. A joint venture
- viii) A(n) \_\_\_\_\_ is a form of regional economic integration in which there are no barriers to trade between member countries, a common external trade policy, and the free movement of the factors of production.
- A. Free Trade Area
  - B. Economic Union
  - C. Customs Union
  - D. Common Market
- ix) The European Union is an example of
- A. Economic union
  - B. Free trade area
  - C. Monetary union
  - D. Common market
- x) The political, economic and legal systems of a country are called
- A. Political systems
  - B. Economic systems
  - C. Legal systems
  - D. Political economy
- xi) In what type of economy are certain sectors of the economy left to private ownership and free market mechanisms, while in other sectors there is significant state ownership and government planning?
- A. Command
  - B. Pure market
  - C. Mixed

- D. Centrally planned
- E. laissez-faire
- xii) Individuals who believe socialism can be achieved only through revolutions and totalitarian dictatorship are called
  - A. Social democrats
  - B. Communists
  - C. Individualists
  - D. Representative democrats
- xiii) The needs of society as a whole are generally viewed as being more important than individual freedoms when the emphasis is on
  - A. Democracy.
  - B. Collectivism
  - C. Individualism
  - D. Capitalism
  - E. Privatization
- xiv) Which type of legal system is based on a very detailed set of laws organized into codes?
  - A. Contract law
  - B. Civil law
  - C. Common law
  - D. Theocratic law
- xv) Which of the following is true about legal systems?
  - A. All countries have the same, uniform legal environment.
  - B. Unlike the economic system of a country, the legal system is independent of the country's political system.
  - C. The government of a country defines the legal framework within which firms do business.
  - D. The attractiveness of a country as an investment site or market is unaffected by its legal system.
  - E. Collectivist-inclined totalitarian states tend to enact laws that are pro-private enterprise.
  - F. The government of a country defines the legal framework within which firms do business, and often the laws that regulate business reflect the rulers' dominant political ideology.
- xvi) Which type of risk involves the likelihood that a trading partner will opportunistically break a contract or expropriate intellectual property rights?
  - A. Contract risk
  - B. Economic risk
  - C. Legal risk
  - D. Political risk
- xvii) Which of the following is not one of the key factors that influence the decision of where to produce?
  - A. Country factors
  - B. Competitors factors
  - C. Technological factors
  - D. Product factors
- xviii) Products of the mind, such as computer software, a screenplay, a music score, or the

- chemical formula for a new drug, constitute
- A. Assets which receive no protection under law.
  - B. Non-performing assets.
  - C. Tangible assets.
  - D. Intellectual property.
  - E. Real property.
- xix) A composer can protect an original musical score from being copied and sold by someone else by acquiring for the score a(n)
- A. Patent.
  - B. Warrant.
  - C. Trademark.
  - D. Copyright.
  - E. Affidavit.
- xx) Veronica had been getting red patches on her face after using a protein-based lotion manufactured by Nature Life Research Lab. On consulting a dermatologist, she learned that the lotion's steroid levels were beyond the standard levels permitted by the government and the damage caused by the lotion was irreversible. Which of the following will address Veronica's grievances?
- A. Laws Related To Property Rights
  - B. Product Liability Laws
  - C. Intellectual Property Laws
  - D. Foreign Corrupt Practices Act
  - E. Sarbanes-Oxley Act
- (b) Giving examples, discuss **four** negative impacts of liberalization and globalization. **(4 marks)**
- (c) Explain three causes of balance of payment (BOP) disequilibrium. **(3 marks)**
- (d) Discuss the theory of comparative advantage clearly bringing out its limitations. **(3 marks)**

## **SECTION B: (15 MARKS per question. Choose any two)**

### **QUESTION TWO**

- (a) Despite the risk of doing business abroad, Multinational Corporations (MNCs) are still investing in Foreign Direct Investments (FDI). Citing examples, discuss **three** reasons for such investments. **(6 marks)**
- (b) Multinational firms enter different international markets using different strategies. Discuss any **three** market entry strategies giving at least one advantage of each. **(6 marks)**
- (c) If you wanted to establish a restaurant chain in a foreign country, discuss **three** elements of culture and how they would affect how you would run your restaurant business. **(3 marks)**

### QUESTION THREE

- (a) International Human Resources Management is very critical for the success of a MNC. Discuss **three** ways in which multinational firms prepare expatriates for their foreign postings. **(3 marks)**
- (b) An entrepreneur wants to start an import export business for agricultural produce in Africa and Europe. He seeks your advice on the legal implications of his business idea. Using examples explain to him three reasons as to why there is need to understand international legal environment (legal systems) in carrying out the business. **(6marks)**
- (c) Regional integration and formation of trading blocs is cited as a key driver of increased trade volumes and business across member states. Explain **three** ways in which local businesses within member states have benefited from the East African Community. **(6 marks)**

### QUESTION FOUR

- (a) Melanie is completing her Diploma in International Relations course at Strathmore University. She is requesting for your advice as to whether she should proceed with her studies at a degree level and later specialize in International Business Management (IBM). As a student of International Relations, explain **three** reasons as to why Melanie should proceed with her studies and later specialize in IBM. **(6 marks)**
- (b) i) Explain the concept of international business. **(2 marks)**  
ii) Discuss **four** main distinguishing features between international business and domestic business giving suitable examples. **(4 marks)**
- (c) In an international trade transaction, there is a time lag between the transfer of goods by the exporter to the importer and transfer of payment by the importer to exporter. To protect both parties from counter-party risk, a number of documents are created and used. Briefly explain the use of the following documents. **(3 marks)**
- i) Consular invoice
  - ii) Certificate of origin
  - iii) Shipping bill

### QUESTION FIVE

- (a) Multinational enterprises engage in a wide range of corporate social responsibilities (CSR) as a way of interacting with the society they do business with, while at the same time adding value to the shareholders' investments.
- i) Define 'Corporate Social Responsibility' **(2 marks)**
  - ii) Supporting your case with ways in which organizations in your country engage in CSR, discuss **three** arguments you can put forward in support of CSR. **(6 marks)**
- (b) Explain the term business ethics and discuss at least **three** ethical issues faced by international businesses. **(4 marks)**
- (c) Discuss any **three** reasons why managers would behave in an unethical manner. **(3 marks)**