



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

DATE: 17TH DECEMBER 2019

TIME: 2 Hours

Instructions

1. This examination consists of **FIVE** questions
2. Answer **question ONE (COMPULSORY)** and any other **TWO** questions
3. Do not write on the question paper

SECTION A: (30 MARKS)

QUESTION ONE

- (a) Explain **three** reasons for international business expansion. **(3 marks)**
- (b) Discuss **three** reasons why it is important to study international business. **(3 marks)**
- (c) Outline **three** major differences between domestic business and international business. **(3 marks)**
- (d) Clearly explain the following controls on international trade. **(3 marks)**
 - i) Tariff
 - ii) Quota
 - iii) Export restraint agreements
- (e) Explain **three** driving forces to globalization. **(3 marks)**
- (f) Explain the legal environment, giving **three** reasons why it is important in international business. **(4 marks)**
- (g) Define balance of payment (BOP) and discuss **three** methods of correcting BOP disequilibrium. **(4 marks)**
- (h) Explain the concept of a Multinational Enterprises (MNE) while clearly outlining the criteria that needs to be fulfilled for a firm to be a MNE. **(3 marks)**

- (i) Write short notes on any **two** documents used in international trade (4 marks)

SECTION B: (15 Marks per question. Choose any two)

QUESTION TWO

- (a) Clearly define international trade and give an example of its occurrence. (2 marks)
- (b) Discuss **three** competitive advantages of international trade. (3 marks)
- (c) Although countries engage in international trade because they believe it is beneficial to do so, international trade comes along with challenges. Giving examples, explain any **four** problems that your country may suffer as a result of international trade. (4 marks)
- (d) Given the lack of consensus on how international business occurs, various theories have been advanced from different parts of the world, some by scholars and others by practitioners. With the help of suitable illustrations, discuss any **two** of such theories that explain how international business occurs. (6 marks)

QUESTION THREE

- (a) International Human Resources Management is very critical for the success of a Multinational Enterprises (MNE). International business managers are concerned with the staffing of their home country and host country offices.
- i) Discuss **two** ways in which multinational firms prepare expatriates for their foreign postings. (2 marks)
- ii) Giving at least one advantage of each, discuss any **two** approaches of staffing policy that international business firms can use to recruit their employees. (4 marks)
- (b) You have been approached as a consultant by a firm that seeks to engage in international operations to advice on various aspects of foreign market expansion.
- i) Explain the advantages and disadvantage of the following entry strategies to foreign markets. (6 marks)
- a. Wholly owned Subsidiaries.
- b. Franchising.
- c. Turnkey projects.
- ii) Elaborate on **three** factors that would enable the success of strategic alliances. (3 marks)

QUESTION FOUR

- (a) To be effective across borders, organizations and employees at all levels need to broaden their collective understanding of other cultures and the needs of people from these cultures.
- i) Following this statement, advice a global manager on the significance of culture in international business decisions. (3 marks)
- ii) Describe the following components of culture, giving suitable examples. (6 marks)
- a. Education

- b. Religion
- c. Language

- (b) 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 FIVE

- (a) Why do firms prefer foreign direct investment FDI to either exporting (producing goods at home and then shipping them to the receiving country for sale) or licensing (granting a foreign entity the right to produce and sell the firm's product in return for a royalty fee on every unit that the foreign entity sells)? **(5 marks)**
- (b) Explain the term business ethics and discuss at least **two** ethical issues faced by international businesses. **(6 marks)**
- (c) Discuss **two** ways in which organizations in your country engage in corporate social responsibility. **(4 marks)**