

BUS101 – A.Lynch

Quiz - Ch. 3

Multiple Choice

Each answer is worth 4 points.

1. Compared to the U.S., the nations of China and India have
 - a) much larger populations, but are lagging in terms of economic growth.
 - b) larger populations and more rapid economic growth.
 - c) higher per capita GDPs.
 - d) very limited market potential.
2. _____ occurs when a nation's best and brightest workers leave to pursue better opportunities in other countries.
 - a) Brain drain
 - b) Skill spill
 - c) Repatriation
 - d) Human offshoring
3. In China and India conventional landline telephone networks:
 - a) make up the vast majority of all phone connections.
 - b) are no longer considered a necessity as these nations move directly to cell phone networks.
 - c) have provided the infrastructure for their Internet backbone and so remain a top investment priority.
 - d) represent the best hope to have a truly connected economy given the lack of sophisticated cell phone technology in these nations.
4. At the beginning of the 21st century:
 - a) many developing nations seemed poised for strong economic growth.
 - b) China and India seemed likely to experience strong growth, but most other developing nations seemed unlikely to achieve much economic success.
 - c) economic growth seemed likely to remain strong only in the already well developed nations such as the United States, Japan, and Germany.
 - d) South Korea and Turkey seemed to be the only developing nations that were likely to grown rapidly.
5. India and the Philippines consistently attract sizeable amounts of foreign investment for services performed in the domestic market and sold internationally. The main reason for this foreign interest is that:
 - a) these countries have outstanding infrastructure, with world class transportation and power supply facilities.
 - b) these nations have large numbers of highly educated workers who are paid much less than American workers.
 - c) The dollar's value is higher in the Asian market than in the American market.
 - d) the average income of consumers in these nations is among the highest in the world, so these markets have a lot of potential.
6. A major reason multinational firms headquartered in the United States might locate production facilities in foreign countries is to:
 - a) gain access to capital, which tends to be scarce in the United States.
 - b) take advantage of the fact that many other nations have much higher per capita GDPs than the United States.
 - c) gain access to a pool of highly educated workers who are paid much less than American workers.
 - d) avoid the need to deal with ethical issues.
7. One of the key reasons Japanese companies like Sony and Toyota thrived during the 1990s was because:
 - a) the Japanese economy was growing very rapidly during that decade.
 - b) they reduced their risk by doing business globally instead of focusing on the

- Japanese market.
- c) the Japanese government implemented higher tariffs to protect these companies from foreign competition.
- d) the Yen was the world's strongest currency during this period.
8. The _____ expresses the price of one nation's currency in terms of another nation's currency.
- a) liquidity ratio
b) exchange rate
c) countertrade ratio
d) discount rate
9. Suppose the value of the U.S. dollar strengthened considerably against the Euro. Who would be most likely to benefit from this result?
- a) European tourists traveling in America.
b) American manufacturers trying to expand their exports to European markets.
c) European firms exporting goods to America.
d) European firms operating production facilities in the United States.
10. Which of the following groups does NOT benefit when a nation has a weak currency?
- a) domestic firms that want to export goods to foreign markets.
b) foreign firms that operate facilities within the nation.
c) domestic firms with operations in foreign countries.
d) foreign tourists who are visiting the country.
11. China has made great strides in pursuing economic growth in the last 15 years. Americans and Europeans, however, want to slow down their mounting trade deficits with China. To do this, American and European governments have called on China to take steps to:
- a) decrease the value of the dollar in China.
b) increase the value of the euro in China.
c) increase the value of its currency.
d) focus more of its economic policies on the domestic market and reduce its emphasis on foreign trade.
12. The Chinese government has loosened control of its economy and is actively pursuing economic growth. Foreign trade, as a result, has surpassed \$1.4 trillion in China. This growth has raised concern for U.S. officials because
- a) too many Chinese citizens are leaving the country for other opportunities.
b) trade with China is undermining U.S. trade relations with other Asian nations.
c) trade with China accounts for the largest share of the overall U.S. balance of trade deficit.
d) the increase in demand for Chinese goods is causing the price of these low cost goods to rise rapidly, fueling inflationary pressure in the United States.
13. Foreign _____ involves a domestic firm granting a foreign firm the rights to produce, promote, and use its trademark/patents in a defined geographical area.
- a) licensing
b) direct investment
c) exporting
d) outsourcing
14. Foreign licensing involves _____ risk and _____ control than foreign direct investment.
- a) lower; less
b) higher; more
c) lower; more
d) more; less
15. In the United States, companies that want to export goods and services can receive guidance and assistance from the:
- a) Department of Economic Development
b) U.S. Commercial Service
c) Department of State
d) Treasury Department

16. McDonald's golden arches can be found in most corners of the world. McDonald's has found that the franchises in different countries:
- all should offer the same menu, since most customers who visit them want to experience American food.
 - should develop menus that reflect local cultures.
 - should avoid locating in large cities, since competition is less intense in smaller cities and towns.
 - are likely to cost much more to operate than domestic franchises.
17. McDonald's is recognized as a universal brand with the golden arches having worldwide appeal. The franchises in different countries:
- operate in much the same manner as franchises in the United States.
 - are classic examples of strategic alliances.
 - differ in terms of menu, but otherwise look and operate almost exactly like American franchises.
 - take local cultural differences into account both in terms of their menu and other aspects of their operations.
18. McDonald's uses foreign _____ to build its corporate presence worldwide.
- licensing
 - direct investment
 - outsourcing
 - franchising
19. Uberholtz, a German company, has granted Sistec, an American company, the right to manufacture Uberholtz's product and use the Uberholtz trademark in return for a fee. Sistec is the _____ and Uberholtz is the _____.
- franchisee, franchisor
 - franchisor, franchisee
 - licensee, licensor
 - licensor, licensee
20. Pandys, an American restaurant chain, promotes its business in Latin America with the hopes of offering prospective buyers the opportunity to open and operate Pandys' restaurants in their countries. Pandys' corporate management offers financial and marketing assistance to ensure success within established guidelines. The prospective buyer is the _____ and Pandys' Corporation is the _____.
- franchisee, franchisor
 - franchisor, franchisee
 - licensee, licensor
 - licensor, licensee
21. Sociocultural differences to consider when entering a foreign market include
- laws and regulations the government creates.
 - language, attitudes, and values.
 - per capita income, population, economic growth rate, and currency exchange rate.
 - political stability.
22. If trade restrictions among nations were eliminated
- competition would increase, resulting in lower prices and increased choices for consumers.
 - the total volume of trade would decline.
 - all nations would experience an increase in their foreign debt.
 - revenues from tariffs would increase.
23. Language, customs, educational background, social values, and religious holidays need to be understood and respected by foreign businesses in considering
- economic differences.
 - sociocultural differences.
 - political differences.
 - legal differences.
24. U2's Bono is a champion for some of the world's poorest nations. His work with rich countries to forgive the debt of some of the poorest nations will mean

- a) richer countries will get credit for doing the right thing.
 - b) poorer countries can increase spending to reduce poverty and growth in their own countries.
 - c) driving a poor country into further debt makes rich countries look bad.
 - d) poorer countries will decrease spending to increase poverty and stifle growth.
25. U2's Bono is campaigning for world relief. He is using his own star power to promote debt
- a) cancellation of some of the world's poorest countries.
 - b) increases for rich nations.
 - c) limits on rich nations so that they don't crowd less wealthy nations out of the credit market.
 - d) relief for all developed nations that extend aid to developing nations

