

IBUS/MARK 462

FINAL EXAMINATION – WINTER 2015

STUDY QUESTIONS

1. Until quite recently, the Euro was considered a success. However, its viability is now in question. Briefly describe the rationale for introducing the Euro. Why has it been in difficulty in the recent past? In your opinion, has the Euro been a success? Why do you believe that it has or hasn't been a success? Provide examples.
2. Identify and discuss the five basic types of economic integration. For each give two examples.
3. Assume that you are the CFO for a Canadian producer of aircraft engines and that your company has received an order for 150 engines from an aircraft manufacturer in Australia. It is valued at \$20 million Canadian dollars and payment will be due upon delivery of the engines which will occur nine months from now. The customer insists on paying you in Australian dollars. Should you accept these terms? What are opportunities and the risks in doing so? What options are available to offset any risk? What option would you recommend?
4. What is meant by the word 'strategy'? Using Procter & Gamble as an example, describe how the company could pursue each of the following strategies: international, localization, and global standardization.
5. When conducting business internationally, companies often face make-or-buy decisions about whether they should perform a value creation activity themselves or outsource it to another entity. Identify and briefly discuss the advantages of each of these alternatives.
6. "The choice of strategy for a multinational firm must depend on a comparison of the benefits of the strategy (in terms of value creation) with the costs of implementing it (as defined by organizational architecture necessary for implementation). On this basis, it may be logical for some firms to pursue a localization strategy and still others a transnational strategy." Is this statement correct? If so, why? If not, why not?
7. Define the terms 'law of one price' and 'purchasing power parity'. Describe how they and the money supply and price inflation influence exchange rates.

8. Debate the relative merits of fixed and floating exchange rate regimes. From the perspective of an international business, what are the most important criteria in a choice between the systems? Which system is more desirable for an international business? Why?
9. Briefly describe the origins and roles of the IMF and World Bank using the Bretton Woods system as a starting point.
10. What is the fixed exchange rate system, what were its origins and why did it collapse?
11. By expanding globally, firms can increase their profitability and profit growth rate in ways not available to purely domestic enterprises. Identify and describe the four main profit growth opportunities that global expansion can create using a company such as Unilever or GE.
12. Briefly discuss the key issues that companies must consider when deciding on their scales of entry and strategic commitments when it comes to expanding into new countries.
13. When it comes to advertising international businesses often need to decide whether to use a standardized approach (Think Global) or a non-standardized approach (Think Local). Using two specific examples, discuss the conditions under which each approach would be most appropriate. In some situations can a case be made for an approach which combines both of these? Support your answer with two examples.
14. The textbook identifies three types of staffing policies in international business. Highlight the key characteristics of each and briefly discuss advantages and disadvantages of each staffing policy.
15. Why did the gold standard collapse? Is there a case for returning to some type of gold standard? Discuss why or why not.