

Name: _____ Class: _____ Date: _____

Chapter 03: The World Marketplace: Business without Borders

1. Despite their huge populations, China and India represent a much smaller opportunity in terms of size and economic growth.

- a. True
- b. False

ANSWER: False

2. In the context of competitive advantage, the value of the first-best choice represents the opportunity cost of producing a second product.

- a. True
- b. False

ANSWER: False

3. In the context of international trade, often countries with the highest trade barriers have the least competition.

- a. True
- b. False

ANSWER: True

4. The balance of trade is also referred to as countertrade.

- a. True
- b. False

ANSWER: False

5. A firm that contracts with foreign producers has an obligation to ensure that those factories adhere to ethical standards.

- a. True
- b. False

ANSWER: True

6. Although a trade deficit signals the wealth of an economy that can afford to buy huge amounts of foreign products, a large deficit can be destabilizing.

- a. True
- b. False

ANSWER: True

7. The balance of trade plays a central role in determining the balance of payments.

- a. True
- b. False

ANSWER: True

8. In foreign licensing, licensors run the risk that unethical licensees may become their competitors, using information that they gained from the licensing agreement.

- a. True
- b. False

ANSWER: True

9. Despite the growth rates in many high-population countries being weak, most of these nations remain ahead of the United States in terms of development and prosperity.

Copyright Cengage Learning. Powered by Cognero.

Chapter 03: The World Marketplace: Business without Borders

- a. True
- b. False

ANSWER: False

10. The financial assistance offered by the World Bank usually comes in the form of high-interest loans.

- a. True
- b. False

ANSWER: False

11. Quotas are taxes levied against imports.

- a. True
- b. False

ANSWER: False

12. Companies that choose to export products to a foreign country spend more to enter that market than companies that choose to build their own factories.

- a. True
- b. False

ANSWER: False

13. Which of the following companies is involved in foreign licensing?

- a. An American electronics company that establishes a subsidiary in Asia to cut down its cost of production
- b. A European company that grants a company in Asia the rights to produce and sell its products
- c. An African company that starts a new business venture by working together with an Asian company
- d. A North American company that buys a small African company and uses it to manufacture its products

ANSWER: b

14. In the context of global trade, which of the following statements is true of balance of payments?

- a. It includes foreign borrowing and lending.
- b. Its surplus indicates more money flowing out than in.
- c. It excludes overseas investments.
- d. Its deficit indicates more money flowing in than out.

ANSWER: a

15. Who among the following is most likely to benefit in a case where there is a weak dollar against a euro?

- a. John is an American who exports goods to Europe.
- b. Nierin Corp. is an American firm that imports goods from Europe.
- c. Joinieker Inc. is an American firm with European operations.
- d. Elise is an American who is touring Europe.

ANSWER: a

16. Quistor Inc., a company based in the country of Waltefa, contracts with a small-scale supplier in the country of Carlesna to manufacture its computers and tablets across the world. This strategy by Quistor Inc. illustrates _____.

- a. joint venture
- b. franchising

Chapter 03: The World Marketplace: Business without Borders

- c. exporting
- d. foreign outsourcing

ANSWER: d

17. Remurio Inc., an African multinational company, wants to import raw materials from Infigerd, an Asian country. However, the company can import only a certain quantity of raw materials because of trade restrictions imposed by Infigerd. In this scenario, Remurio Inc. is most likely facing the barrier of _____.

- a. political differences
- b. sociocultural differences
- c. legal differences
- d. economic differences

ANSWER: c

18. The _____ is an organization of 188 member nations that promotes global economic cooperation and stable growth.

- a. World Bank
- b. World Trade Organization
- c. Bank for International Settlements
- d. International Monetary Fund

ANSWER: d

19. Inicell Inc., an American camera manufacturing company, wanted to import a few camera parts from Ruelia, an Asian company. However, the American government passed a taxation law that stated that a tax of 4% would be levied on all electronic imports. In this scenario, the American government imposed a(n) _____.

- a. embargo
- b. quota
- c. tariff
- d. voluntary export restraint

ANSWER: c

20. The total value of the goods exported by Maulini, a South American country, in the last fiscal year was lower in comparison to the total value of the goods imported by it. Given this information, Maulini had a _____ in the last fiscal year.

- a. trade surplus
- b. balance of payments surplus
- c. trade deficit
- d. balance of payments deficit

ANSWER: c

21. Alice, the global marketing director of a multinational electronic goods manufacturing firm, is assigned the task of expanding her firm in new markets. She learns that hiring labor is expensive and that the required technical manufacturing equipment is unavailable in the international market. In this scenario, which of the following is most likely affecting the global trade of Alice's firm?

- a. Lack of innovative ideas
- b. Increased dependence on one economy

Chapter 03: The World Marketplace: Business without Borders

- c. Limited access to factors of production
- d. Absence of plentiful capital

ANSWER: c

22. Wichasha, an African country, exports barley and cotton worth \$100 million to Illema, a European country, and it imports sugarcane worth \$25 million from Illema. As such, the total value of Wichasha's exports is higher than the total value of its imports. This difference between the value of Wichasha's exports and imports is known as _____.

- a. a comparative advantage
- b. balance of payments
- c. an absolute advantage
- d. the balance of trade

ANSWER: d

23. Luchen Modo, a software development firm in Asia, launched a new software for smartphones that allowed users to remotely control certain functions and features of their vehicles, such as ignition, windshields, and headlights. The success of this technology prompted other companies across the world to produce similar software. In this scenario, which of the following is most likely to have influenced other companies to produce similar software?

- a. Establishment of new industries
- b. Inflow of innovation
- c. Access to factors of production
- d. Reduced risk

ANSWER: b

24. Brixbee Inc., a European electronics company, has given a domestic firm in Lougard, an Asian country, the rights to manufacture and market its product within Lougard. In this scenario, Brixbee Inc. is most likely involved in _____.

- a. foreign outsourcing
- b. a limited partnership
- c. foreign licensing
- d. direct investment

ANSWER: c

25. Chechinko, an African country, and Herito, an Asian country, use the same amount of resources to produce alcohol. Despite this, Chechinko is able to manufacture a higher quantity of alcohol than Herito. In this context, which of the following statements is definitely true of Chechinko?

- a. Chechinko has a higher trade surplus than Herito.
- b. Chechinko enjoys an absolute advantage in terms of alcohol production, relative to Herito.
- c. Chechinko has a higher balance of trade than Herito.
- d. Chechinko can produce alcohol at a lower opportunity cost compared to Herito.

ANSWER: b

26. Negacho, a food and beverage company, introduced a new flavor of potato chips called South Indian Chillis. It received a positive response from consumers, which prompted Brex Mex, another food company, to introduce its own Szechuan flavored chips. In this scenario, which of the following is most likely to have influenced Brex Mex to produce a product similar to Negacho's?

- a. Establishment of new industries

Chapter 03: The World Marketplace: Business without Borders

- b. Access to factors of production
- c. Reduced risk
- d. Inflow of innovation

ANSWER: d

27. Grettzee, a musical instruments manufacturing company, imports high-quality maple wood from Resumbro, a South Asian country where maple is found in abundance. Which of the following is most likely to have influenced Grettzee's decision to import raw materials from Resumbro?

- a. Reduced risk
- b. Access to factors of production
- c. Inflow of innovation
- d. Establishment of new industries

ANSWER: b

28. In the context of international trade, which of the following companies is facing the barrier of legal differences?

- a. An Asian company that can only import a limited amount of crude oil from an Arab country because of international trade restrictions
- b. A European company that sells products that cater to specific demographics of foreign countries
- c. A North American company that takes contracts from overseas manufacturers to produce custom products at a low price
- d. An African company that introduces a new clothing line in an Asian country that reflects the latter's cultural and traditional values

ANSWER: a

29. Romernia, an Asian country, imported goods and services worth \$700 million in the last fiscal year. It exported goods worth \$400 million in the same year. The difference in the value of Romernia's imports and exports is known as _____.

- a. an absolute advantage
- b. the balance of trade
- c. a comparative advantage
- d. balance of payments

ANSWER: b

30. In the context of barriers to international trade, _____ include differences among countries in language, attitudes, and values.

- a. economic differences
- b. sociocultural differences
- c. political differences
- d. legal differences

ANSWER: b

31. Tanya Williams, the chief executive officer of Willister Computers, believes that the firm is currently best equipped to enter the market of Troyesna, a fast-developing country. The firm offers a small-scale producer in Tryoesna the right to produce and market its goods based on a set of specific operating functions and requirements. This scenario of Willister Computers illustrates _____.

- a. foreign franchising

Chapter 03: The World Marketplace: Business without Borders

- b. direct investment
- c. a strategic alliance
- d. a joint venture

ANSWER: a

32. CuberTech, an American electronics company, set up its production facilities in Chuaga, an Asian country, because the workers in Chuaga work for about one-third the pay of American workers. This substantially lowered CuberTech's cost of production. This scenario is an example of _____.

- a. direct investment
- b. a joint venture
- c. foreign outsourcing
- d. foreign franchising

ANSWER: a

33. Openi, an island nation, is able to increase its textile production without having to compromise on the production of other materials. This is in contrast to other nations that need to lower the production of other materials to increase their textile production. In this scenario, Openi has a _____ in textile production.

- a. comparative advantage
- b. balance of payments surplus
- c. positive balance
- d. trade surplus

ANSWER: a

34. Nescat Autos, an automobile manufacturing company, developed a secondary market for its products in a foreign country. This allowed the company to minimize its losses when its primary market failed to generate enough revenue to benefit the company. In this scenario, which of the following is most likely to have influenced Nescat Autos's decision to set up a market in another country?

- a. Inflow of innovation
- b. Reduced risk
- c. Access to factors of production
- d. Growth of domestic industries

ANSWER: b

35. Which of the following countries most likely has a comparative advantage?

- a. A South American country that produces more coffee compared to an Asian country despite having equal resources
- b. An Asian country that manufactures more textile products than most countries by decreasing its production of tea
- c. An Asian country that produces quality automobiles with little opportunity cost compared to other countries
- d. A North American country that expands its trade relations to a neighboring country to share resources

ANSWER: c

36. In the context of the strategies for reaching global markets, which of the following is a key risk of foreign outsourcing?

- a. Increase in the costs of production

Chapter 03: The World Marketplace: Business without Borders

- b. Exclusion of the brand name of the outsourcer
- c. Involvement of social responsibility
- d. Inability to lower labor wages

ANSWER: c

37. Nakato, a South Asian country, exported goods worth \$500 million and imported goods worth \$400 million in the last fiscal year. The country also made foreign investments worth \$300 million and provided foreign aid worth \$100 million in disaster relief. Besides this, the country took a loan of \$5 billion from the World Bank. This flow of money into and out of Nakato is measured by _____.

- a. opportunity cost
- b. the balance of trade
- c. articles of organization
- d. balance of payments

ANSWER: d

38. Bresnee, a European automobile company, plans to sell its automobiles in Lador, an Asian country. To do this, Bresnee has to make certain modifications in its marketing strategy such as using the regional language of Lador in its advertisements. Without such changes, Bresnee would not be able to establish a market in the country. In the given scenario, Bresnee is most likely facing the barrier of _____.

- a. economic differences
- b. legal differences
- c. political differences
- d. sociocultural differences

ANSWER: d

39. Rubicon Inc., an American guitar manufacturing company, signed a contract with a supplier in Umreia, an Asian country, to manufacture guitars. Rubicon then imported these products and sold them in its markets under its own brand name. Rubicon did this because of the availability of cheap labor in Umreia that substantially cut down Rubicon's cost of production. In this scenario, Rubicon is most likely involved in _____.

- a. foreign direct investment
- b. foreign franchising
- c. foreign outsourcing
- d. foreign licensing

ANSWER: c

40. Trade restrictions were created to:

- a. increase jobs from foreign companies.
- b. protect national security interests.
- c. use resources more efficiently on a worldwide basis.
- d. build exporting opportunities through better relationships with other countries.

ANSWER: b

41. _____ refers to selling products in foreign nations that have been produced or grown domestically.

- a. Foreign franchising
- b. Outsourcing

Chapter 03: The World Marketplace: Business without Borders

- c. Exporting
- d. Foreign licensing

ANSWER: c

42. The government of Lebitz, a European country, learns that low-priced textile imports from Pruneia, an Asian country, are affecting the sales of domestic textile companies. The Lebitzian government decides to levy a 6% tax on all textile goods imported from other countries. In this scenario, which of the following trade restrictions does the Lebitzian government impose?

- a. An embargo
- b. A quota
- c. A voluntary export restraint
- d. A tariff

ANSWER: d

43. In the context of the strategies for reaching global markets, which of the following statements is true of exporting?

- a. It is colloquially known as foreign outsourcing.
- b. It is ineffective for small and mid-sized companies.
- c. It is the most basic level of international market development.
- d. It means producing products abroad and selling them domestically.

ANSWER: c

44. Which of the following is a function of the International Monetary Fund (IMF)?

- a. Introducing common markets
- b. Increasing jobs from foreign companies
- c. Using resources efficiently on a worldwide basis
- d. Promoting global trade

ANSWER: d

45. Mora, an American jewelry manufacturing company, wants to import diamonds from Renoria, an Asian country. However, the officials in charge of the trade in Renoria agree to formalize the transaction only if they are paid a certain amount of money for their personal benefit. Since American businesses are prohibited from offering bribes to any foreign nation, Mora has to look to another exporter of diamonds. In the given scenario, Mora is most likely facing the barrier of _____.

- a. sociocultural differences
- b. economic differences
- c. political differences
- d. legal differences

ANSWER: d

46. In the context of the strategies for reaching global markets, which of the following is a disadvantage of foreign outsourcing?

- a. The returns on investment are diminished.
- b. The adherence to ethical standards by foreign producers is at risk.
- c. The cost of production becomes irrecoverable.
- d. The foreign company needs to pay high wages to the workers.

Chapter 03: The World Marketplace: Business without Borders

ANSWER: b

47. Nipennie and Mirasa, two developing countries, bartered cotton for jute rather than for currency. In this scenario, the two countries engaged in _____.

- a. foreign franchising
- b. fair trade
- c. arbitrage
- d. countertrade

ANSWER: d

48. The basic mission of the _____ is to promote global economic cooperation and stable growth.

- a. World Bank
- b. World Trade Organization
- c. International Monetary Fund
- d. General Agreement on Tariffs and Trade

ANSWER: c

49. Prost was the first automobile company in the world to introduce child safety locks in its vehicles. This feature soon became a major selling point for consumers all over the world. As a result, other automobile companies began providing a similar feature in their vehicles. In this scenario, which of the following is most likely to have influenced other companies to install child safety locks?

- a. Reduced risk
- b. Establishment of new industries
- c. Inflow of innovation
- d. Access to factors of production

ANSWER: c

50. Which of the following companies is engaged in importing?

- a. A company that contracts out its support operations to a firm in a developing country
- b. A company that sells domestically-produced textiles to other countries
- c. A company that takes contracts from overseas manufacturers to produce high-end clothing
- d. A company that buys electronic goods that are domestically manufactured by other countries

ANSWER: d

51. In the context of international trade, which of the following statements is true of comparative advantage?

- a. It is the tendency of a country to choose goods that have a higher opportunity cost compared to other countries.
- b. As technology changes, nations may gain or lose comparative advantage in various industries.
- c. It is subjected to the industries in developing countries facing major trade barriers.
- d. Despite evolving workforces, developing countries maintain a static comparative advantage.

ANSWER: b

52. In the context of emerging economies, which of the following statements is true of the BRIC countries?

- a. India's subscriber base for cell phones has grown explosively over the past five years.
- b. Brazil has a high employment rate and stands out to be the lone bright spot among the BRIC countries.

Chapter 03: The World Marketplace: Business without Borders

- c. China is the only BRIC country that has an economy larger than the United States.
- d. Over the past few years, China has seen a rapid growth in the number of low-wage manufacturing jobs.

ANSWER: a

53. Regency Placade, a renowned European electronics company, wants to set up a subsidiary in Finim, an Asian country. After conducting a survey, the company finds that Finim lacks the resources required for production. Therefore, Regency Placade decides to abandon the idea. In this scenario, which of the following most likely affected Regency Placade's plan?

- a. Lack of innovative ideas
- b. Economic dependence in the international market
- c. Limited access to factors of production
- d. Absence of plentiful capital

ANSWER: c

54. Which of the following countries exemplifies the concept of opportunity cost?

- a. An African country that produces electronic goods on a large scale without compromising on any other produce
- b. A South American country that expands its trade relations to neighboring countries
- c. A European country that produces more cotton than a North American country despite having equal resources
- d. An Asian country that increases its production of sugar by decreasing its production of cocoa

ANSWER: d

55. Which of the following strategies for reaching global markets is a specialized type of licensing?

- a. Partnership
- b. Foreign franchising
- c. Joint venture
- d. Exporting

ANSWER: b

56. Compared to the United States, China and India have:

- a. smaller market size.
- b. higher gross domestic product growth rates.
- c. higher per capita gross domestic products.
- d. lower population.

ANSWER: b

57. Pyoiunalek's, a restaurant chain, markets and endorses its businesses in other countries by offering buyers the rights to launch and operate the restaurant in that country. It lends financial and marketing assistance to the buyers. In this scenario, Pyoiunalek's is employing the strategy of _____ to reach global markets.

- a. foreign franchising
- b. exporting
- c. direct investment
- d. importing

ANSWER: a

58. In the fiscal year 2015–2016, Nescarto, an African country, imported goods worth \$18 million and exported goods

Chapter 03: The World Marketplace: Business without Borders

worth \$20 million. It also borrowed \$40 million from other countries. In this scenario, Nescarto had a _____ during 2015–2016.

- a. balance of payments surplus
- b. balance of payments decumulation
- c. negative balance
- d. trade deficit

ANSWER: a

59. In the context of global trade, the _____ is a measurement of the value of one nation's currency relative to the currency of other nations.

- a. liquidity ratio
- b. exchange rate
- c. countertrade ratio
- d. discount rate

ANSWER: b

60. When the total value of a nation's exports is higher than the total value of its imports, that country has a(n) _____.

- a. absolute advantage
- b. trade surplus
- c. trade deficit
- d. comparative advantage

ANSWER: b

61. Ithilium, a European country, is able to produce more electronics than Kilim, a North American country, even though both countries use the same amount of resources. Given this information, it can be deduced that Ithilium has a(n):

- a. comparative advantage over Kilim.
- b. higher trade surplus than Kilim.
- c. absolute advantage over Kilim.
- d. higher balance of payments surplus than Kilim.

ANSWER: c

62. Consider an exchange rate situation in which 1 Indian rupee equals 0.40 Japanese yen. Given this information, which of the following statements is true?

- a. The cost of operating an Indian firm in Japan is lower.
- b. An Indian tourist in Japan can buy more goods and services in Japan.
- c. A Japanese tourist can buy more goods and services in India.
- d. The cost of operating a Japanese firm in India is lower.

ANSWER: c

63. In the context of international trade restrictions, _____ are limitations on the amount of specific products that may be imported from certain countries during a given time period.

- a. tariffs
- b. quotas
- c. voluntary export restraints
- d. embargoes

Chapter 03: The World Marketplace: Business without Borders

ANSWER: b

64. Mewpeth, an Asian nation, is the world's largest producer of cotton. The country was able to achieve this status by increasing the production of cotton and compromising on the production of wheat. The given scenario exemplifies the concept of _____.

- a. an absolute advantage
- b. opportunity cost
- c. balance of payments
- d. a strategic alliance

ANSWER: b

65. Umeron, a European country, wants to import 18 million bales of cotton from Trumberton, an Asian country. However, Umeron is able to import only 10 million bales because Umeron's import laws limit the amount of cotton and jute that can be imported. In the given scenario, the government of Umeron has imposed a(n) _____ to restrict international trade.

- a. voluntary export restraint
- b. tariff
- c. embargo
- d. quota

ANSWER: d

66. In Fidaro, a North American country, punctuality is considered a sign of integrity. On the other hand, in Gwary, an African country, punctuality is considered a sign of anxiety and is given less importance. This exemplifies:

- a. legal differences.
- b. political differences.
- c. economic differences.
- d. sociocultural differences.

ANSWER: d

67. Neminski, an Arab country, is renowned for its rich oil reserves. It earns approximately \$1.3 billion annually by selling crude oil to other countries. Given this information, Neminski is most likely involved in _____.

- a. foreign outsourcing
- b. exporting
- c. foreign franchising
- d. countertrade

ANSWER: b

68. Brentia, an East Asian country, exported goods worth \$50 million and imported goods worth \$5 million in the last fiscal year. It also provided a loan of \$25 million to another country. In this scenario, Brentia most likely had a _____ in the last fiscal year.

- a. negative balance
- b. balance of payments decumulation
- c. trade deficit
- d. balance of payments surplus

ANSWER: d

Chapter 03: The World Marketplace: Business without Borders

69. Which of the following countries is involved in countertrade?
- a. An Asian country that imports cotton from an African country and resells it to other countries
 - b. A North American country that experiences more cash outflow than inflow
 - c. An Asian country that provides sugarcane to an African country in exchange for jute
 - d. A European country whose total value of exports is higher than its imports

ANSWER: c

70. Which of the following countries has a trade deficit?
- a. An Asian country that does not engage in trade with other countries
 - b. A European country that has a higher total value of imports than exports
 - c. An African country that produces all products domestically
 - d. A North American country that exports goods but does not import goods

ANSWER: b

71. _____ range from simple barter to a complex web of exchanges that end up meeting the needs of multiple parties.
- a. Individual outsourcing agreements
 - b. Individual countertrade agreements
 - c. Individual direct selling agreements
 - d. Individual licensing agreements

ANSWER: b

72. In the context of foreign direct investment, which of the following statements is true of a partnership?
- a. It is the most costly form of direct investment.
 - b. It is a formal, long-term agreement.
 - c. It is the most basic level of international market development.
 - d. It is also known as domestic franchising.

ANSWER: b

73. Vieorien, a company based in the country of Dannistel, has permitted a foreign company the rights to produce its products and to use the Vieorien trademark. However, Vieorien does not have the authority or the rights to dictate the business operations of the foreign company. In this scenario, the foreign company that Vieorien deals with is the _____.
- a. lessor
 - b. lessee
 - c. licensee
 - d. licensor

ANSWER: c

74. The _____ is an international cooperative of 188 member countries, working together to reduce poverty in the developing world.
- a. World Bank
 - b. World Trade Organization
 - c. International Monetary Fund
 - d. General Agreement on Tariffs and Trade

Chapter 03: The World Marketplace: Business without Borders

ANSWER: a

75. Resorto, a European country, exported sugar worth \$600 million between 2015 and 2016 and imported tea worth \$750 million during the same period. In this scenario, Resorto most likely had a _____ between 2015 and 2016.

- a. trade deficit
- b. balance of payments surplus
- c. trade surplus
- d. balance of payments deficit

ANSWER: a

76. Sloimekia can manufacture more of a certain kind of cloth than its neighboring countries, although they all have the same amount of resources for the cloth's production. In this scenario, which of the following statements is true of Sloimekia?

- a. It has a higher trade surplus than its neighboring countries.
- b. It enjoys an absolute advantage in terms of the particular cloth it produces.
- c. It enjoys the highest balance of trade among its neighboring countries.
- d. It has a lower balance of payments and a lower trade deficit for the particular cloth produced.

ANSWER: b

77. Which of the following is the most costly form of foreign direct investment?

- a. Offshoring
- b. Franchising
- c. Importing
- d. Licensing

ANSWER: a

78. Which of the following countries has a trade surplus?

- a. A South American country whose total value of exports and imports is equal
- b. An Asian country whose total value of exports exceeds its total value of imports
- c. An African country that imports most of its products from other countries
- d. A European country whose total value of imports exceeds its total value of exports

ANSWER: b

79. In _____, firms either acquire foreign firms or develop new facilities from the ground up in foreign countries.

- a. direct investment
- b. a strategic alliance
- c. foreign franchising
- d. countertrade

ANSWER: a

80. Esterotia, a European country, requires red-tape-intensive licenses for all alcohol imports. In this scenario, which of the following types of trade restrictions does the country use?

- a. A quota
- b. An embargo
- c. A trading bloc

Chapter 03: The World Marketplace: Business without Borders

d. A nontariff barrier

ANSWER: d

81. Clark and Nestor start a catering business together. They sign a legal contract that states that the business is owned by them. The agreement also states that they will have an equal share in the profits of the business and will be equally liable for any losses incurred by the business. This scenario exemplifies _____.

- a. a strategic alliance
- b. countertrade
- c. a partnership
- d. barter

ANSWER: c

82. Who among the following is most likely to benefit when the dollar is strong and the euro is weak?

- a. Hailiner who is an American exports goods to Europe.
- b. Fieolia Corp. is a European firm that imports goods from America.
- c. Joinieker Inc. is a European firm with American operations.
- d. Ron is an American who is touring Europe.

ANSWER: d

83. In the context of international trade, India, China, and the Philippines attract multibillion-dollar investments because:

- a. they are more developed than any other developed country in the world.
- b. they have a large cohort of technically skilled university graduates who work for about one-fifth the pay of comparable American workers.
- c. the value of euro is lower in the Asian market than in the American market.
- d. the level of risk associated with establishing business relationships with firms belonging to the Asian market is minimal.

ANSWER: b

84. A _____ refers to the overage that occurs when more money flows into a nation than out of that nation.

- a. balance of trade surplus
- b. balance of trade deficit
- c. balance of payments surplus
- d. balance of payments deficit

ANSWER: c

85. Quezi, an East Asian country, borrows \$300 million from Muranico, a North American country, to fund its infrastructure projects. Quezi exports petroleum worth \$700 million to Muranico and other countries. Besides this, Quezi provides foreign aid worth \$40 million. In this scenario, this flow of money into and out of Quezi can be measured by _____.

- a. articles of organization
- b. opportunity cost
- c. balance of payments
- d. the balance of trade

ANSWER: c

Chapter 03: The World Marketplace: Business without Borders

86. Vertiplume, a drug manufacturing company, exports its products to more than 15 countries around the world. Regardless of reduced sales in one of these countries, Vertiplume is able to maintain its overall profits. In the given scenario, which of the following is a reason behind Vertiplume's ability to maintain its overall profits?

- a. Access to factors of production
- b. Ease of storage of goods
- c. Inflow of innovation
- d. Reduced risk

ANSWER: d

87. _____ refers to the unrestricted movement of goods and services across international borders.

- a. Protectionism
- b. Countertrade
- c. Free trade
- d. Direct investment

ANSWER: c

88. In the context of global trade, a balance of payments deficit means that:

- a. foreign borrowing and lending are excluded from calculating the balance of payments.
- b. more money flows in than out.
- c. more money flows out than in.
- d. foreign payments and receipts are excluded from calculating the balance of payments.

ANSWER: c

89. Which of the following statements is true of international trade?

- a. It increases a firm's dependence on its domestic economy.
- b. It offers companies an invaluable source of new ideas.
- c. It increases the economic risk for multinational companies.
- d. It reduces a firm's opportunity to tap into growing new markets.

ANSWER: b

90. Uniesia, an Asian company, wants to set up a production facility in Maurinia, an African country, because of the low labor costs in the country. However, Uniesia is unable to do so because of the situation of constant civil unrest in Maurinia. In the given scenario, Uniesia is most likely facing the barrier of _____.

- a. economic differences
- b. political differences
- c. sociocultural differences
- d. ethical differences

ANSWER: b

91. Boson Corp., an American software development company, wants to expand its business in international markets. Therefore, it buys property in Greitch, a South Asian country, and sets up a production facility despite the high costs involved. In this scenario, Boson Corp. is most likely involved in _____.

- a. foreign franchising
- b. countertrade
- c. exporting

Chapter 03: The World Marketplace: Business without Borders

d. direct investment

ANSWER: d

92. In the late 1970s, LarceCo, a tea manufacturing company, entered the market of a developing country called Fantesnia. As there was a lack of hard currency in Fantesnia, LarceCo was involved in a barter system. It exchanged its tea-based products for the local vodka of Fantesnia. This scenario illustrates that LarceCo had engaged in _____.

- a. countertrade
- b. foreign outsourcing
- c. franchising
- d. direct investment

ANSWER: a

93. Nessi Bru, an American construction firm, and West Brook Inc., a Canadian construction firm, collaborated on an infrastructure project to build a railway track from Regina in Canada to Minneapolis in the United States. They shared their resources, risks, and profits, but they still functioned as two independent firms. In this scenario, Nessi Bru and West Brook Inc. were most likely involved in _____.

- a. a joint venture
- b. a limited liability partnership
- c. foreign franchising
- d. foreign outsourcing

ANSWER: a

94. In the context of economic considerations when entering a foreign market, which of the following is an example of an energy infrastructure in a country?

- a. Railroads
- b. Cell phone coverage
- c. Power plants
- d. Radio

ANSWER: c

95. _____ is the authority granted by a domestic firm to an overseas firm for the rights to produce and market its product or to use its trademark/patent rights in a defined geographical area.

- a. Foreign franchising
- b. Foreign licensing
- c. Outsourcing
- d. Offshoring

ANSWER: b

96. Merticao, a French textile company, supplied most of its products to its primary market in Hestonia, a North American nation. However, when Hestonia faced an economic downturn and its citizens began to reduce their expenditures, Merticao began to focus more on its domestic market. As a result, Merticao was able to survive the loss of its primary market because of _____ in global trade.

- a. reduced risk
- b. access to factors of production
- c. ease of storage of goods

Name: _____ Class: _____ Date: _____

Chapter 03: The World Marketplace: Business without Borders

d. inflow of innovation

ANSWER: a

97. Nersina, a European country, exports petroleum and imports cotton and jute. In the current fiscal year, the total value of Nersina's exports is higher than the total value of its imports. In this scenario, Nersina most likely has a _____.

- a. balance of payments surplus
- b. trade deficit
- c. balance of payments deficit
- d. trade surplus

ANSWER: d

98. Elision Inc., an American software development company, outsourced its support operations to Luzenza, an Asian nation, because it found that Luzenza has a large cohort of English-speaking college graduates who are ready to work for one-fourth the pay of comparable American workers. Which of the following is most likely to have influenced Elision Inc.'s decision to outsource its support operations to Luzenza?

- a. Inflow of innovation
- b. Growth of domestic industries
- c. Reduced risk
- d. Access to factors of production

ANSWER: d

99. _____ is an agreement between two or more firms to jointly pursue a specific opportunity without actually merging their businesses.

- a. Direct investment
- b. A common market
- c. Countertrade
- d. A strategic alliance

ANSWER: d

100. Brestine Inc., a European multinational corporation, wants to expand its customer base and decides to target the Asian market. As most Asian countries have comparatively low per capita income, the company introduces cheaper versions of its products that would appeal to the target market. In this scenario, Brestine Inc. is most likely facing the barrier of _____.

- a. sociocultural differences
- b. political differences
- c. economic differences
- d. legal differences

ANSWER: c