Exam

Name_____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) The integrated trading arrangement between Canada, Mexico and the USA, which is referred to as   1) _____
   NAFTA, is an example of a(n):
   A) Free-trade area
   B) Customs union
   C) Economic union
   D) Political union
   E) Common market

   Answer: A
   Explanation: A)
                    B)
                    C)
                    D)
                    E)

2) The Physical Quality of Life Index is a measure of how well a nation is able to deliver economic   2) _____
   benefit to its citizens. The index includes the following factor(s):
   A) Adult literacy rates
   B) Life expectancy
   C) Infant mortality
   D) All of the above
   E) Options A and B only

   Answer: D
   Explanation: A)
                    B)
                    C)
                    D)
                    E)

3) Which currency system is most commonly used by developed countries?   3) _____
   A) The floating exchange system
   B) Pegged rates to the US dollar
   C) Fixed exchange rate system
   D) Central bank rates
   E) Multiple exchange rates

   Answer: A
   Explanation: A)
                    B)
                    C)
                    D)
                    E)

4) Since World War II, most nations have been classified according to the economic 'system' they have implemented. The three defined systems are:
   A) Developed; Developing; Under-developed
   B) Subsistence; Developing; Consumer-based
   C) Communist; Socialist; Mixed-market
   D) Advanced; Newly industrialised; Services-based
   E) Market allocation; Command allocation; Mixed system

4) _____

Answer: E
Explanation: A)
                B)
                C)
                D)
                E)

5) In terms of evaluating a nation's consumption patterns, Engel's Law states that:
   A) All countries must pass through the centrally-planned economic development stage before they can become a market economy
   B) As income rises above a certain minimum, the expenditure on food, as a percentage of total income, falls
   C) Innovation enables countries to move to more advanced stages of market development
   D) Those countries with a per-capita GDP above $US10,000 per annum, can be classified as consumption-based economies
   E) Those countries that have a sustained balance-of-trade deficit, will inevitably lose their national sovereignty

5) _____

Answer: B
Explanation: A)
                B)
                C)
                D)
                E)

6) When an importer provides an exporter with a promissory note at time of shipment, and the exporter then sells that note at a discount for cash, it is known as:
   A) Hedging
   B) Leveraging
   C) Factoring
   D) Honouring
   E) Forfeiting

6) _____

Answer: E
Explanation: A)
                B)
                C)
                D)
                E)

7) Exporters may face a variety of financial risks. These can be classified as: 7) _____
    A) Political; foreign exchange; transaction
    B) Transaction; translation; economic
    C) Economic; political; financial
    D) Commercial; political; foreign exchange
    E) Political; economic; corporate

Answer: D
Explanation: A)
                  B)
                  C)
                  D)
                  E)

8) Classification of economies based on the nature of the economy is based on which three categories: 8) _____
    A) Free; Semi-Planned; Planned
    B) Agricultural; Manufacturing; Services
    C) Old; New; Transition
    D) Primary; Secondary; Tertiary
    E) None of the above

Answer: C
Explanation: A)
                  B)
                  C)
                  D)
                  E)

9) The rate-of-exchange is the: 9) _____
    A) Level of holistic trade between two nations
    B) Price of one currency against the international gold-standard price
    C) Frequency and volume of export transactions
    D) Price of one currency in terms of another currency
    E) None of the above options is correct

Answer: D
Explanation: A)
                  B)
                  C)
                  D)
                  E)

10) Markets vary from country to country, which of the following is not method of assessing the size of 10) _____
a market in within countries?
    A) Infrastructure
    B) Geography
    C) Physical quality of life
    D) Income
    E) Tariff restrictions

Answer: E
Explanation: A)
                  B)
                  C)
                  D)
                  E)

11) Impediments to accessing world markets are driven by:
    A) Firms in the other country wanting to keep out imports
    B) Governments that favour specific countries
    C) Firms encouraging greater competition
    D) All of the above
    E) Options A and B only

11) _____

Answer: E
Explanation: A)
                      B)
                      C)
                      D)
                      E)

12) Which of the following is a government motivation for controlling the international flow of trade into and out of the country?
    A) Safeguarding domestic industry form import competition
    B) Generating import duties
    C) Avoiding the entry of disease such as agricultural pest
    D) Security issues
    E) All of the above

12) _____

Answer: E
Explanation: A)
                      B)
                      C)
                      D)
                      E)

13) Hedging techniques involve the use of:
    A) Currency swaps
    B) Forward contract
    C) Futures contracts
    D) All of the above
    E) Options B and C only

13) _____

Answer: D
Explanation: A)
                      B)
                      C)
                      D)
                      E)

14) Which of the following is NOT an advantage of being an insider of a regional trade group?
    A) Production
    B) Rationalisation
    C) Standardisation
    D) Expansion
    E) Consumption

14) _____

Answer: E
Explanation: A)
                      B)
                      C)
                      D)
                      E)

15) International aid which assists firms in donor countries to achieve increased business in the overseas country is an example of which motivation?

    A) Political
    B) Altruistic
    C) Commercial
    D) Financial
    E) None of the above

Answer: D
Explanation: A)
                  B)
                  C)
                  D)
                  E)

15) _____

16) Which of the following is NOT one of GATT's Most Favoured Nation Principles?

    A) Exchange of commercial representatives
    B) Exchange of trade missions
    C) Exchange of information
    D) Conduct of trade fairs
    E) All of the above

Answer: E
Explanation: A)
                  B)
                  C)
                  D)
                  E)

16) _____

17) When a firm undertakes transactions in foreign currencies, potential losses or gains on receipts from outstanding contracts is regarded as:

    A) Economic exposure
    B) Translation exposure
    C) Transaction exposure
    D) Exchange rate exposure
    E) Financial exposure

Answer: C
Explanation: A)
                  B)
                  C)
                  D)
                  E)

17) _____

18) Which of the following foreign currencies can easily be converted? 18) _____
    A) The Yen
    B) The Euro
    C) The Peso
    D) None of the above
    E) Options A and B only

Answer: E
Explanation: A)
                  B)
                  C)
                  D)
                  E)

19) Which of the following barriers to entering an overseas market would be considered a strategic 19) _____
barrier?
    A) Switching costs for buyers
    B) Capital costs of market entry
    C) Tariffs on exports
    D) Established competitors
    E) Economies of scale that favour established competitors

Answer: C
Explanation: A)
                  B)
                  C)
                  D)
                  E)

20) Potential losses or gains resulting from the conversion of revenue from overseas business 20) _____
transactions into the currency of the home country, is referred to as:
    A) Financial exposure
    B) Market exposure
    C) Translation exposure
    D) Economic exposure
    E) Transaction exposure

Answer: C
Explanation: A)
                  B)
                  C)
                  D)
                  E)

21) The increased level of import competition facing local firms has been caused by several key factors.   21) _____
Which one of the following is NOT a factor?
   A) The economies of socialist countries have become more market-driven
   B) The growing impact of the global economy on individual countries
   C) The expanded use of e-commerce and the internet
   D) Production capacity is no longer directly linked to labour efficiency
   E) The ability of more countries to be self-sufficient in the supply of goods

Answer: E
Explanation: A)
                B)
                C)
                D)
                E)

22) In international marketing, product modifications are generally needed less in: 22) _____
   A) Urban centres
   B) Rural centres
   C) Regional centres
   D) Options B and C only
   E) There is no difference between locations

Answer: A
Explanation: A)
                B)
                C)
                D)
                E)

23) National governments often provide some form of protection for selected domestic industries   23) _____
through the use of non-tariff barriers against foreign competition. Which of the following is NOT
an example of a non-tariff barrier?
   A) Quarantine restrictions
   B) Import duties
   C) Licensing controls
   D) Import quotas
   E) Options A and B only

Answer: B
Explanation: A)
                B)
                C)
                D)
                E)

24) As an alternative to economic systems, countries can be classified according to their economic
'structure'. The three elements in this approach are:

    A) Primary; Secondary; Tertiary
    B) Domestic; International; Global
    C) Communist; Socialist; Mixed-market
    D) Agricultural; Industrial; Services-based
    E) Developed; Developing; Less-developed

24) _____

Answer: D
Explanation: A)
                    B)
                    C)
                    D)
                    E)

25) In many developing countries, a major percentage of income received has to be used to pay off
foreign debt. This in turn may lead to:

    A) A reduction in the availability of foreign exchange
    B) A country being viewed as an unattractive market
    C) A country engaging in some form of countertrade
    D) All of the above
    E) Options A and B only

25) _____

Answer: D
Explanation: A)
                    B)
                    C)
                    D)
                    E)

26) The Asian 'tiger' economies of Singapore, South Korea and Taiwan are identified as being in the
_____ stage of market development.

    A) Low-income
    B) Lower middle-income
    C) High-income
    D) Services orientation
    E) Upper middle-income

26) _____

Answer: E
Explanation: A)
                    B)
                    C)
                    D)
                    E)

27) Which of the following statements is NOT true: 27) _____
    A) Infrastructure is the engine of development
    B) Economic advancement is usually accompanied by a price tag
    C) The significance of population size decreases with the sophistication of the product or service offered
    D) Generally speaking there is a negative correlation between the development state of a country and population growth
    E) The Physical Quality of Life Index is a measure of the level of welfare in a country and takes into consideration life expectancy, infant mortality and employment rates

Answer: E
Explanation: A)
                B)
                C)
                D)
                E)

28) Over recent years there has been an increasing trend towards economic integration between 28) _____
nations, where they team-up to improve their trading positions. Four different forms of integration include:
    A) Common unions; customs markets; free trade markets; economic unions
    B) Command-allocation; market-driven; common markets; economic unions
    C) Preferential trading arrangements; free trade areas; customs unions; economic unions
    D) Free trade areas; common markets; market-allocation; economic unions
    E) Open markets; customs unions; non-tariff trade areas; economic unions

Answer: C
Explanation: A)
                B)
                C)
                D)
                E)

29) Which of the following aspects of population must international marketers take into consideration 29) _____
when assessing the attractiveness of the market?
    A) Number of people
    B) Geographic spread
    C) Geographic topography
    D) All of the above
    E) Options A and B only

Answer: E
Explanation: A)
                B)
                C)
                D)
                E)

30) The law of one price says that an identical product must have an identical price in all countries when that price is expressed in a common denomination so that international marketers can determine whether:

   A) Raw material costs are too high
   B) A currency is undervalued
   C) Labour rates are too high
   D) Product quality is the same in the different countries
   E) All of the above

30) _____

Answer: B
Explanation: A)
                  B)
                  C)
                  D)
                  E)

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

31) The aim of the WTO is to raise tariffs in the interests of ensuring smaller nations are protected in international trade.

31) _____

Answer: True   ● False
Explanation:

32) Protectionism includes both tariff and non-tariff barriers such as controls over the volumes of imports.

32) _____

Answer: ● True   False
Explanation:

33) Multilateral aid is that aid given by one country to another.

33) _____

Answer: True   ● False
Explanation:

34) The growth of e-commerce is a significant factor in the increased levels of import competition.

34) _____

Answer: ● True   False
Explanation:

35) Production in the international environment is directly related to employment.

35) _____

Answer: True   ● False
Explanation:

36) The market allocation system relies on the government to allocate resources.

36) _____

Answer: True   ● False
Explanation:

37) Infrastructure refers to facility and services necessary for the functioning of the economy and includes energy supplies, transport and communications.

37) _____

Answer: ● True   False
Explanation:

38) Purchasing Power Parity shows how many units of currency are needed to buy in country A what one unit of currency will buy in country B.

Answer: ● True   False
Explanation:

38) _____

39) Between 2000 to 2012, Africa had the highest growth in world internet usage.

Answer: ● True   False
Explanation:

39) _____

40) The so-called 'tiger' economies, such as Singapore, Taiwan and Korea, are examples of lower-middle-income countries.

Answer: True   ● False
Explanation:

40) _____

41) Merchandise trade is currently the fastest growing sector in international trade.

Answer: True   ● False
Explanation:

41) _____

42) Tariffs can operate either as a tax on imports to reduce local demand for international goods or on exports to increase government revenue.

Answer: ● True   False
Explanation:

42) _____

43) In recent years the focus of the World Bank has moved from project financing towards activities that foster deregulation and more market driven economic policies.

Answer: ● True   False
Explanation:

43) _____

44) Quotas of imports as mandated by government policy are an example of tariff based barriers to international trade.

Answer: True   ● False
Explanation:

44) _____

45) Commercial risk is when fluctuating exchange rates impact on how much a firm actually receives in its own domestic currency.

Answer: True   ● False
Explanation:

45) _____

46) The 'stage of market development' approach to classifying countries is based on grouping nations according to their gross national income per capita.

Answer: ● True   False
Explanation:

46) _____

47) Services products account for an increasing percentage of employment in all countries, and are the fastest growing area of economic activity in all except low-income countries.

Answer: ● True   False
Explanation:

47) _____

48) The current account is the record of merchandise and services traded, as well as gifts and aid transactions between countries.

48) _____

Answer: ● True   False
Explanation:

49) Geographic considerations are more important when dealing with less developed countries than when dealing with prosperous countries.

49) _____

Answer: ● True   False
Explanation:

50) Capital movements rather than trade are now the driving force in the world economy.

50) _____

Answer: ● True   False
Explanation:

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

51) Discuss the economic and financial factors that influence consumption patterns in an individual country. Use examples to support your answer.

Answer:

52) What are the main approaches that can be taken when developing regional trade blocs? What is the motivation behind developing such blocs?

Answer:

53) Outline the types of financial risk involved when a company decides to operate in the international marketing environment. What actions can the firm take to minimise these risks?

Answer:

54) Discuss the development of the international financial system and the key institutions which operate within it.

Answer:

55) How might a nation's stage of economic development influence the international marketing mix strategy for that country? Give examples to illustrate your answer.

Answer:

56) Compare and contrast the different systems used to classify economies. Using different countries as examples, demonstrate the consistencies and inconsistencies across the classifications.

Answer:

57) There are certain advantages to being part of a regional trade group (RTG). Discuss the marketing implications of being both an insider and outsider of these groups. Illustrate your answer using an Australian company as an example.

Answer:

58) There are two basic classifications, market-allocation and command-allocation, that are used to identify a country's economic system. Explain the basic premise of each system, and highlight the benefits and restrictions offered by each.

Answer:

59) Explain how an overseas nation's level of economic infrastructure can influence an international marketer's decision as to the viability of marketing to that country. Use examples to illustrate your answer.

Answer:

60) The global economy had endured several economic recessions in the last ten or so years. Discuss the marketing strategies that a company may implement to help manage this turbulent economic environment.

Answer:

1) A
2) D
3) A
4) E
5) B
6) E
7) D
8) C
9) D
10) E
11) E
12) E
13) D
14) E
15) D
16) E
17) C
18) E
19) C
20) C
21) E
22) A
23) B
24) D
25) D
26) E
27) E
28) C
29) E
30) B
31) FALSE
32) TRUE
33) FALSE
34) TRUE
35) FALSE
36) FALSE
37) TRUE
38) TRUE
39) TRUE
40) FALSE
41) FALSE
42) TRUE
43) TRUE
44) FALSE
45) FALSE
46) TRUE
47) TRUE
48) TRUE
49) TRUE
50) TRUE

Answer Key
Testname: C3

51)
52)
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