

School of Business

Bachelor of Business Administration
Semester End Examination - Jun 2024

Duration : 180 Minutes
Max Marks : 100

Sem IV - D1UA423T - International Business

General Instructions

Answer to the specific question asked

Draw neat, labelled diagrams wherever necessary

Approved data hand books are allowed subject to verification by the Invigilator

- 1) Explain the concept of locational advantage also find out its impact on company's decision to invest in foreign market. K3(3)
- 2) How do INCOTERMS (International Commercial Terms) impact the allocation of risk and responsibility in international sales contracts? Conclude your answer with suitable example K4(4)
- 3) Identify the factors affecting the selection of international market entry modes. K3(6)
- 4) Explore the significance of letters of credit as a primary method for facilitating international payments. Support your discussion with a relevant example. K6(6)
- 5) Discuss the role of the International Monetary Fund (IMF) in promoting global financial stability. How does the IMF provide financial assistance to member countries? K6(6)
- 6) Examine how do common laws influence the operations and decision-making processes of multinational corporations engaged in international business activities? K4(8)
Q1- Provide examples of how common laws impact contractual agreements, dispute resolution, and intellectual property rights protection in cross-border transactions.(3 Marks)
Q2- Discuss the challenges that arise from differences in legal systems and the strategies that companies can employ to mitigate legal risks while ensuring compliance with common laws across diverse jurisdictions. (5 Marks)
- 7) Fortune Ltd, a prominent manufacturer of advanced technology products based in the United States, is poised for global expansion to seize emerging market opportunities. Armed with unique proprietary technology and manufacturing expertise, the company aims to leverage its ownership advantage in international markets. K3(9)

After meticulous market analysis, Fortune Ltd identifies China and India as prime locations due to their burgeoning economies and high demand for innovative products. By strategically establishing manufacturing facilities in these regions, the company aims to capitalize on cost efficiencies and tap into skilled labor pools. Embracing Dunning's Eclectic Theory, Fortune Ltd opts for internalization by setting up wholly-owned subsidiaries in China and India, ensuring complete control over its operations, technology, and supply chain. This approach allows the company to safeguard its competitive edge, tailor products to local preferences, and drive sustainable growth in the global market landscape.

Q1- Identify, how does XYZ Corporation's strategic approach to international expansion align with Dunning's Eclectic Theory? Discuss the significance of ownership, location, and internalization in XYZ Corporation's decision-making process, as outlined in the case study.(5 Marks)

Q2- What advantages does Fortune Ltd gain by opting for internalization through wholly-owned subsidiaries in China and India, and how does this approach contribute to its competitive edge and sustainable growth in the global market? (4 Marks)

8)

Jindal Ltd is a multinational corporation (MNC), is navigating the complexities of conducting international business across multiple countries. The company faces numerous challenges related to legal systems, including differences in contract law, intellectual property rights, and regulatory frameworks. For instance, when entering into contracts in different countries, the MNC must ensure that the terms and conditions are compliant with local laws and regulations. This requires a deep understanding of each country's legal system, which can be time-consuming and costly. Additionally, protecting intellectual property rights becomes a priority, as the company's proprietary technology and innovations are crucial to its competitive advantage. However, navigating the various intellectual property laws and enforcement mechanisms in different countries can be daunting. Moreover, the company must also comply with a myriad of regulatory requirements, such as environmental regulations, labor laws, and tax laws, which vary significantly from country to country. To address these challenges, the MNC employs a team of legal experts with expertise in international law and works closely with local legal counsel in each country. They also invest in technology and systems to streamline legal compliance processes and ensure that the company's operations are conducted ethically and responsibly in all the countries where it operates.

K3(9)

Q-Identify the challenges and complexities of navigating legal systems of Jindal Ltd in different countries when conducting international business. (5 Marks)

Q-How can Jindal Ltd mitigate these challenges and ensure legal compliance? (4 Marks)

9)

The International Monetary Fund (IMF) and the World Bank are pivotal international financial institutions committed to promoting economic development and stability globally. The IMF primarily focuses on macroeconomic stability, offering financial assistance, policy advice, and technical support to countries grappling with balance of payments issues and currency crises. In contrast, the World Bank prioritizes long-term development by providing financial and technical aid for developmental projects, infrastructure building, poverty reduction, and capacity enhancement in developing nations. Despite their critical roles, both institutions encounter challenges in effectively assisting developing countries. The IMF's policy conditionality and structural adjustment programs have faced criticism for imposing stringent economic reforms that might adversely affect social welfare and economic growth. Similarly, the World Bank grapples with challenges related to project implementation, corruption, governance issues, and aligning its developmental projects with the national priorities and sustainable development goals of recipient countries. Furthermore, the IMF and World Bank differ in their primary objectives, focus, and operational modalities. While the IMF emphasizes macroeconomic stability and policy advice, the World Bank underscores long-term development, infrastructure building, and poverty reduction through loans, grants, and developmental projects. This hypothetical case underscores the distinct roles, challenges, and differences between the IMF and World Bank in assisting developing nations, emphasizing the necessity for continuous dialogue, cooperation, and alignment of their policies and strategies with the national priorities and sustainable development goals of recipient countries.

K5(10)

Q1- How does the IMF assist countries grappling with balance of payments issues and currency crises, and what criticisms have been directed towards its policy conditionality and structural adjustment programs? (4 Marks)

Q2- In the above case what is the World Bank's approach to long-term development, and what challenges does it face in aligning its developmental projects with the national priorities and sustainable development goals of recipient countries? justify your answer with suitable example. (6 Marks)

10)

FortuneTrade, an international trading company based in the United States, entered into an agreement with OverseasSupplier, a manufacturer from CountryY, to import electronic goods. To ensure a secure and smooth transaction, both parties opted for a Letter of Credit (LC) as the payment method. FortuneTrade initiated the LC

K4(12)

through its bank, detailing the agreed terms, including product specifications, shipment details, and payment amount. Upon receiving the LC, OverseasSupplier shipped the electronic goods as per the agreed terms. The LC served as a guarantee from GlobalTrade's bank to Overseas Supplier, assuring that payment would be made upon delivery and verification of necessary documents, such as the bill of lading, commercial invoice, and inspection certificate. After receiving the shipment, FortuneTrade's bank reviewed the documents for compliance with the LC terms and, upon verification, released the payment to OverseasSupplier. This process ensured payment security, minimized payment risks, and fostered trust and confidence between FortuneTrade and OverseasSupplier, highlighting the significance of Letters of Credit in facilitating and safeguarding international trade transactions.

Q1- How did FortuneTrade and OverseasSupplier utilize the Letter of Credit (LC) to ensure a smooth and secure international trade transaction, and what role did the LC play in minimizing payment risks and fostering trust between the two parties? (6 Marks)

Q2- Analyze the process followed by FortuneTrade and its bank in initiating, verifying, and releasing payment through the Letter of Credit (LC) for the imported electronic goods from OverseasSupplier. How did the LC serve as a guarantee and provide payment security in the transaction? (6 Marks)

11) Imagine you're a marketing manager for a global beverage company introducing a new energy drink. In this scenario, you need to devise a market segmentation strategy to target various consumer groups across different regions.

K6(12)

Q1-How would you identify and prioritize relevant segmentation criteria such as age, lifestyle, and consumption habits to tailor your marketing efforts effectively? (6 Marks) Additionally, how would you customize your messaging and distribution channels to resonate with each segmented audience, ensuring maximum market penetration and product adoption? (6 Marks)

12) Country A is facing a severe balance of payments crisis due to declining exports, high import dependency, and a significant external debt burden. The country's foreign exchange reserves are dwindling rapidly, making it difficult to meet its international payment obligations, such as servicing its foreign debt and paying for essential imports like fuel and food. In this situation, Country A approaches the International Monetary Fund (IMF) for financial assistance to stabilize its economy and address its balance of payments issues. The IMF agrees to provide a loan to Country A, but with certain conditions attached, known as policy conditionality. These conditions may include implementing austerity measures, liberalizing trade and investment policies, and undertaking

K5(15)

structural reforms to improve fiscal discipline, enhance competitiveness, and attract foreign investment. While the IMF's financial assistance is intended to help Country A restore macroeconomic stability and regain market confidence, the stringent economic reforms imposed through its policy conditionality are met with resistance from the country's population. The austerity measures lead to public discontent due to cuts in social spending, job losses in public sector industries, and increased taxes, which adversely affect social welfare and economic growth in the short term. Moreover, the liberalization of trade and investment policies and structural reforms may not yield immediate benefits or may exacerbate income inequality and vulnerability to external shocks, further complicating Country A's economic recovery and development prospects.

Q1- Determine the factors contributed to Country A's balance of payments crisis, and why did it seek financial assistance from the International Monetary Fund (IMF)? (5 Marks)

Q2- What are the conditions typically associated with the IMF's financial assistance, and how did these conditions impact Country A's economy and population? (5 Marks)

Q3- How do the challenges and complexities faced by Country A in implementing the IMF's policy conditionality and structural reforms illustrate the need for careful consideration, dialogue, and cooperation between international financial institutions and recipient countries? (5 Marks)