

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER 03 – EXAMINATION – SUMMER 2017

Subject Code: 2830006

Date: 09/05/2017

Subject Name: International Business (IB)

Time: 02.30 PM TO 05.30 PM

Total Marks: 70

Instructions:

- 1. Attempt all questions.**
- 2. Make suitable assumptions wherever necessary.**
- 3. Figures to the right indicate full marks.**

Q.1 (a) Answer the following multiple-choice questions.

6

1. The world trade organization was formed in the year _____ with GATT as it basis.
- | | | | |
|---|------|---|------|
| A | 1993 | C | 1994 |
| B | 1995 | D | 1996 |

An attribute that doesn't contribute to Porters Diamond model is

2. A Government C Organized Trade union
 B Factor Conditions D Demand Conditions

The First Phase of globalization started around 1870 and ended with...

3. A The world war I C The world war II
 B The establishment of GATT D In 1913 when GDP was High

The balance of payments of a country on current account is equal to

4. A Balance of trade plus short term C Balance of trade plus net invisible exports
 B Balance of payment minus capital D Balance of invisible trade plus imports
 flows

NAFTA is an example of

5. A Common Market C Customers Union
 B Economic Community D Free Trade Area

Which one is not an international organization

6. A SAARC C ASEM
 B ASEAN D CBDT

Q.1 (b) Briefly explain the following terms

04

1. Turnkey Project
2. Balance of Payment
3. Soft Currencies
4. Globalization

Q.1 (c) Explain the three types of Importers.

04

Q.2 (a) Discuss various forces driving globalization.

07

(b) What is Political Risk? Which are different types of political risks?

07

OR

(b) Briefly explain different types of economic systems.

07

Q.3 (a) Explain different Trade barriers that directly affect prices to limit the trade.

07

	(b) Discuss different types of regional economic integration? Explain the effects of regional economic integration.	07
	OR	
Q.3	(a) Briefly discuss major foreign exchange markets.	07
	(b) Explain economic rationales for governmental intervention in foreign trade.	07
Q.4	(a) Explain the phases of Export development.	07
	(b) Discuss the role of countertrade in International Business.	07
	OR	
Q.4	(a) Explain the factors affecting International Accounting Practices.	07
	(b) What is Exporting and how it can be done in International Market?	07
Q.5	Case Study: Mahindra & Mahindra	14

Mahindra & Mahindra (M & M) is a major player in the tractor and certain segments of the automobile market in India. After an impressive growth for a few years, the tractor market in India has been stagnating during 1998-1999 to 2000-2001.

M & M has been selling its tractors and utility vehicles in foreign markets including USA. Some of the components for its products have been sourced from abroad. M & M has a 100 per cent subsidiary in USA, Mahindra USA, with a strong network of 100 dealers. Mahindra has a five per cent market share in the US market in the 20-30-horse power (HP) range.

As a part of the strategy aimed at building a global supply chain, Mahindra USA has signed a memorandum of understanding (MoU) with the Korean tractor major Tong Yang, a part of the \$ 2 billion Tong Yang Moolsam group, according to which Mahindra will source high horse power (mostly 25-40 hp range) and sell them around the world under the M & M brand name. To start with, the premium range of tractors will be sold in the US.

M & M's current tractor range is more utility-oriented and lacks the aesthetic appeal that Tong Yang's tractors have, a must for a strong presence in the US market.

Questions

- 1) What are the advantages and disadvantages of global sourcing?
- 2) How will the foreign market expansion help M & M?
- 3) How does the strategic alliance with Tong Yang benefit M & M?
- 4) What are the possible risks of the alliance? How can they be overcome/minimized?

	OR	
Q.5	Case Study: McDonald's	14

The foreign operations of McDonald's, one of the leading restaurant chains at the global level, witnessed very fast growth since 1980, and especially during 1990s. There are a host of factors behind the rapid growth. However, it is

McDonald's effort to adapt to the host country culture that is the most important factor. It is a well established fact that consumers in the host country would desire that a foreign firm entering their country should not undermine the local culture, tastes, and beliefs. If it does it, they will resist its entry. Perhaps this was the reason that the start of McDonald's was a bit late because their architecture did not conform to the local one. Similarly, in India, where the majority of population is Hindu and the Hindu religion does not permit eating of beef, McDonald's had to change the main component of their hamburger from beef to mutton. Only then, were they able to flourish in India. And compete with the local fast food chain. Similarly, one of the reasons McDonald's succeeded in Quebec, Canada, is that they have modified their menu to suit the local population.

Yet again, in Israel, where the local population prefers that food should be prepared according to JEWISH LAWS, McDonald's effort was to change the menu according to the requirement of the local food laws. Jews dislike mixing of meat products with dairy products. As a result, McDonald's did not go for other hamburgers, rather, they preferred to serve Fast Food, Cheeseburgers, and milkshake.

Questions:

1. Is it true to say that McDonald's prefer to transplant its home-country culture in different host Countries?
2. Why did McDonald's adapt their product in India?
3. Are India and Israel diverse in respect of culture?
