

SELF TESTS

GLOBAL STRATEGIC MANAGEMENT 3d Edition

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Chapitre 1: Globalization of Markets and Competition

1. Which of the three propositions defines what is a global company?
 - a. A firms that exports everywhere in the world
 - b. A firms that invest in foreign countries
 - c. A firm that operates in the main markest of the world in an integrated and coordinated way
 - d. A firm that controls many foreign subsidiaries

Answer: c (page 4)

2. Which factor is not conducive to globalization?
 - a. GATT and WTO
 - b. Internet
 - c. The reduction in transporation costs
 - d. Cultural differences between countries

Answer: d (pages 7 and 13)

3. The “shopping caddy” approach to product adoption is?
 - a. A marketing campaign for hypermarkets
 - b. A practice by which subsidiaries of a multinational company select the products that they conbsider adoted to their local market
 - c. A practice that defines how consumers select their products
 - d. How Research and Development departments in global firms classify their projects

Answer: b (page 8)

4. What is the main reason why Amazon is obliged to open subsidiaries outside the USA?
 - a. Because of language differences
 - b. Because local governments requires it
 - c. Because transportation costs are too high relative to the price of books
 - d. To manage taxes globally

Answer: c (page 14)

5. In addition to “flexibility” and “proximity” what is the third major benefit of localization?
 - a. Quick response time
 - b. Costs reduction
 - c. Learning
 - d. The ability to launch products all over the world

Answer: a (page 16)

6. Which of the following industry or segment is both “local” and “global” (type III)?
 - a. Microprocessor
 - b. Food retail
 - c. Corporate banking

Answer: c (pages 16 and 17)

7. Which of the following argument runs against globalization?
 - a. Globalization induces corruption
 - b. Globalization increases inflation
 - c. Globalization reduces diversity
 - d. Globalization increases price for consumers

Answer: c (page 18)

8. What is an “arbitrage benefit” for global firms?
- a. Global firms can take advantages of cost differences among the countries in which they operate
 - b. The benefits of being big and therefore influencing local governments
 - c. The search for dominant positions
 - d. The benefit of speculation on the stock markets

Answer: a (page 8)

Chapitre 2: Designing a Global Strategy

1. What the difference between a “Business strategy” and a “Corporate strategy”
 - a. No difference
 - b. A corporate strategy is for big companies although a business strategy is for small companies
 - c. A corporate strategy applies to multi-business firms while business strategy applies to single business firms or to a segment in a multi-buisness firm
 - d. Business strategy applies to commercial firms while corporate strategy applies to any kind of organization

Answer: c (page 27)

2. The purpose of a business strategy is :
 - a. To select products and markets
 - b. To invest in new products
 - c. To dominates its industry
 - d. To develop a competitive business leading to value creation

Answer: d (page 29)

3. A “regional” player
 - a. Is a firm aiming at developing a competitive advantage in all regions of the world
 - b. Is a firm aiming at tailoring its products to the taste of different regions
 - c. Is firm aiming at developing a competitive in one particular region of the world
 - d. Is a firm limiting its presence to one region of Europe or the USA

Answer: c (page 33)

4. In an Industry in which North America, Europe and Asia represent each 30% of sales. Which of the following firm would qualify for a nearly pure global firm from the point of view of Global Revenue Index
- a. Firm A sales : North America=40%, Europe 25%, Asia 25%
 - b. Firm B sales: North America=30%, Europe 35%, Asia 10%
 - c. Firm C sales: North America=35%, Europe 15%, Asia 25%
 - d. Firm D sales: North America=28%, Europe 29%, Asia 32%

Answer: d (page 35)

5. What is a “platform country”?
- a. A country that can serve as “hub” for serving subsidiaries around it
 - b. A country that is the largest country in a region
 - c. A country in which generally a global firm will set up a regional headquarters
 - d. A country in which the Global IT service of a global firm will set up its servers

Answer: a and c (page 38)

6. A “customer’s value curve” is:
- a. Is a model used by global marketing people to evaluate the economic value that a particular set of customers generate for the firm
 - b. Is the set of cultural and emotional values that customers attach to a product or a service
 - c. Is the price above which customers will not buy a product or a service
 - d. Is the set of attributes that customer value when making a purchasing decision

Answer: d (page 38)

7. How “Apple” is positioned?
- a. Global Niche player, adaptive differentiator
 - b. Broad Global Cost Leader

- c. Global Niche player, standard differentiator
- d. Broad Global standard differentiator

Answer: d (page 38 by analogy with Sony Apple operates in several segments: Music, PC's, iPhone, iPod, iPad, in a very differentiated way with standardized products/services)

8. A global firm competitive advantage is due to?:
- a. Ability to have access to resources and competences all over the world
 - b. To play "a global chess" game
 - c. To leverage and transfer knowledge from different subsidiaries
 - d. To benefit from economies of scale due to their efficient manufacturing or services systems

Answer: all (pages 44 and 45)

9. Can you rank the major obstacles to the internationalization of Small and Medium Sized Enterprise from the more important obstacle to the lesser important?
- a. Lack of credits
 - b. Lack of information
 - c. Lack of reliable foreign representation
 - d. Assessing distribution channels

Answer: a, c,b,d,a (page 53)

10. What is "piggybacking"
- a. A financial technique to give credit to SME's
 - b. A way of grouping several SME's in order to create economies of scale
 - c. A way for a multinational firm to help their suppliers to set up operations close to their own subsidiaries
 - d. A way for governments to help SME's to internationalize

Answer: c (page 52)

Chapitre 3: Designing a Global Organization

1. In the “geographical organization”
 - a. The local subsidiaries are motivated to share knowledge with others subsidiaries
 - b. The functional activities are coordinated at corporate headquarters
 - c. Each subsidiary is responsible for its profit and losses
 - d. Local entrepreneurship is encouraged

Answer: c and d (page 81)

2. The global functional organization is better adapted to:
 - a. Single business companies or to segments within multi-business firms
 - b. For low-cost standardized products or services
 - c. Industries where customers across the world exhibit converging needs and tastes
 - d. Industries with high potential for economies of scale

Answer: all (page 79)

3. Among the following factors which ones are describing the disadvantages of matrix structures?
 - a. Rigidity
 - b. Dilution of responsibility
 - c. Dual focus
 - d. Turf battles

Answer: b and d (page 90)

4. What is the key characteristic of the transnational model of organization?
- a. It is simple
 - b. It relies on management processes and culture
 - c. Global managers are given more power than local managers
 - d. It is another word for defining a “matrix “ organization

Answer: b (pages 92)

5. What are the roles of a “Facilitator” regional headquarters ?
- a. It facilitates relationships with local governments
 - b. It helps business development
 - c. It focuses on administrative tasks
 - d. It finances local subsidiaries
 - e. It coordinates activities across subsidiaries

Answer: b and e (page 94)

Chapitre 4: Global Strategic Alliances

1. In a “coalition alliance” partners are looking at:
 - a. Enhancing their sales by pooling their resources
 - b. Getting access to technology of the other partner
 - c. Reducing costs by sharing facilities
 - d. Sharing tasks according to their own specialization

Answer: a and d (pages 112,113)

2. In an alliance, when evaluating strategic fit, one is looking at:
 - a. The ability for partners to adopt a similar strategy
 - b. The ability for partners to understand each other's
 - c. The ability for partners to negotiate the strategy of the alliance
 - d. The compatibility of the partner's respective strategies

Answer: d (page 115)

3. If in an alliance partner have an “extractive agenda” they:
 - a. Are looking at extracting the most value for themselves
 - b. Are looking at maximizing efficiency of the alliance
 - c. Are looking to acquire capabilities from the other partner
 - d. Are looking at sharing resources to lower cost

Answer: c (page 117)

4. The cultural differences between partners in an alliance:
 - a. Affects the definition of objectives
 - b. Are sources of mistrust between partners

- c. Affect the way of partners communicate
- d. Are only present in alliances between partners from different countries

Answer: a and c (page 121)

5. The “ death valley ” in an alliance:
- a. Indicates that alliances are doomed to fail
 - b. Is indicative that the alliance has been badly negotiated
 - c. Is the stage of termination of an alliance
 - d. Indicate that frictions happen between partner at the early stage of implementation

Answer: d (page 130)

6. Global firms enter in a local joint-venture:
- a. Because they are forced by local governments
 - b. Because they don't know the local context
 - c. Because they don't have enough resources to do business by themselves
 - d. To share risks

Answer: all (pages 134, 135)

7. A political partner in a local joint-venture:
- a. Is a local politician
 - b. Is a partner who is a good strategist
 - c. Is a local businessman who enter in a joint venture under the pressure of the local government
 - d. Is a local partner who has good contacts with authorities

Answer: d (page 137)

8. The” joint venture decay” :
- a. Indicates that a joint venture comes to an end

- b. Indicates that partners are fighting
- c. Indicates that the mutual benefit of the joint venture starts to decrease
- d. Indicates that all joint ventures are plagued with difficulties

Answer: c (page 140)

9. Among the eight criteria for successful alliances, the criteria “Investment” means:
- a. That an investment plan has to be negotiated
 - b. That investments need a proper financing
 - c. That partners need to show commitment to the joint venture
 - d. That financial partners are needed for the financing of projects

Answer: c (page 141)

10. Joint venture fails often because:
- a. Staff has been badly prepared
 - b. There is cultural differences
 - c. Negotiations have been hastily done
 - d. Local governments intervene too much in the management of joint venture

Answer: a and c (pages 141,142)

Chapitre 5: Global Mergers and Acquisitions

1. Which types of value creation are long term in Mergers and Acquisitions
 - a. Tax shield
 - b. Enlarged markets
 - c. Transfer of technology
 - d. Price Earnings ratio leverage
 - e. Disposal of assets

Answers: b and c (page 156)

2. Why due diligence is particularly difficult to perform in emerging countries
 - a. Marketing and strategic information are less reliable
 - b. Because language problems
 - c. Because there is no good consultants
 - d. Because political intervention may hamper fair assessment
 - e. Accounting standards are not aligned with international standards
 - f. Because a lot of firms are family owned

Answers: a,d,e (page 156)

3. What is the stand alone value in cash flow valuation
 - a. Valuation of cash flow made in local currency
 - b. Valuation of cash flow done with only one source of information
 - c. Valuation of cash flow as if the acquired company continues its activities without the merger
 - d. Valuation of cash flow after incorporating the short-term synergies

Answer: c (page 158)

4. Which one of those are considered as a source of failure in integration

- a. Lack of financial resources
- b. Lack of language skills
- c. Cultural mishandling
- d. Lack of concrete results
- e. Government interventions

Answers: a, c, d (page 159)

5. The symbiosis mode of integration is:
- a. A technique based on the consolidation of financial resources
 - b. The rapid implementation of functional synergies
 - c. The practice of integration teams
 - d. A practice that implement progressively the needed synergies

Answer: d (page 161)

6. What is “ a winning spiral”
- a. Short term positive results during the integration phase due to quick wins
 - b. The successful implementation of synergies
 - c. Tax benefits resulting from the merger
 - d. A human resource practice encouraging a “winning” culture among employees during the phase on integration

Answer: a (page 165)

7. Among those what are the main types of value creation looked after in international acquisitions
- a. Products diversification
 - b. Technology acquisition
 - c. Global reach
 - d. Economies of scale
 - e. Vertical integration

Answers: c and d (page 155)

Chapter 6: Assessing Countries's Attractiveness

1. What does mean "Industry opportunities" for the assessment of countries
 - a. Market growth
 - b. The quality of demand
 - c. Entry barriers
 - d. The intensity of competition
 - e. The availability of suppliers

Answers: c and d (page 178)

2. Why "the middle class effect" represents an opportunity for foreign investors
 - a. Because middle class people like imported products
 - b. Because middle class people have enough purchasing power to buy branded goods and consumer durables
 - c. Because middle class people are in favor of free trade

Answer: b (page 181)

3. Which propositions are wrong?
 - a. In emerging countries middle class is found only in urban areas
 - b. In emerging countries middle class are primarily found in urban areas
 - c. In emerging countries the number of middle class people is growing faster than average gdp growth
 - d. In the USA or Europe everyone is middle class
 - e. The threshold for entering middle class varies according to the type of goods or services

Answers: a, d (page 181)

4. What does mean "quality of demand"?
 - a. All customers are looking for quality products
 - b. Price is not an important buying decision factor in this country

- c. There is a “high end “ segment in the market
- d. Quality control is imposed by the government in this country

Answer: c (page 181)

5. Is it true that:

- a. Low-labor cost countries tend to attract labor-intensive, low-value added production YES NO
- b. An export-processing zone is an area where offshore factories manufacturing products for exports are set-up YES NO
- c. Resources intensive industries like oil and gas and sensitive to political risks YES NO
- d. In the service industries China and India are relatively low cost and high quality YES NO

Answer: all YES (pages 183-186)

6. A” country diamond “ is:

- a. A place where diamond are extracted YES NO
- b. Is a method to evaluate the competitiveness of a country
YES NO
- c. Is an indicator showing that governments are supporting foreign investment YES NO

Answer: b(pages 189)

7. Is it true that country risk analysis is essentially concerned with political risks?

YES NO

Answer: NO (pages 191 there are also economic risks, competitive risks and operational risks)

8. A "Grand tour approach" for evaluating countries' opportunities and risks is :
- a. An approach by which analysts rank countries
 - b. A statistical method of risk analysis
 - c. A series of visits to countries by analyst to meet all kind of people and collect direct information
 - d. A method through which analyst make a tour on the internet to collect information

Answer: c (pages 193)

Chapter 7: Entry Strategies

- 1 What are the “Learning objectives ” for entry in a foreign country?
 - e. Developing the local market by learning by doing
 - f. Gain knowledge about technology or business by operating in a country
 - g. Making the country as a centre for strategic or marketing intelligence

Answer: b (pages 208)

- 2 What is a “window of opportunities”?
 - a. An opportunistic approach to foreign direct investment
 - b. A particular place in a country where there are many opportunities for doing business
 - c. It is the time span when it is neither too early nor too late to invest

Answer: c (pages 208)

- 3 What are the disadvantages of being the first to enter?
 - a. The market is not mature to accept the product or service
 - b. Governments resist entry
 - c. Facilitates the job of a follower
 - d. Being obliged to do a joint venture

Answers: a and c (pages 210)

- 4 When acquisition seems better than joint-venture for market entry??
 - a. Because of speed of entry
 - b. When political risks are high
 - c. If the foreign investor wants to protect its technology
 - d. Market penetration is faster

Answers: a and c (pages 218)

- 5 Choosing a partner who wants to diversify is advantageous for a foreign investor?
 - a. Because the partner is likely to have good market knowledge

- b. Because the partner is likely to give operational support
- c. Because the partner is probably not going to interfere in the management of the joint venture
- d. Because the partner is likely to facilitate the entry thanks to its contacts

Answers: c and d (pages 213)

- 6 What are the disadvantages of entering a country with licensing
- a. Slow
 - b. Loss of control of technology
 - c. Risky
 - d. Complicated to manage

Answer: b (pages 218)

Chapter 8: Global Marketing

1. What is “customer’s convergence”?
 - a. Most customers in a country are grouped in one big segment
 - b. Low-end markets in emerging countries are price sensitive
 - c. Consumers across the world tend to share the same taste

Answer: c (pages 229)

2. When “modular standardization” is more appropriate?
 - a. When customers converge
 - b. When the minimum economic size of production is relatively low
 - c. When both minimum size is high and customers diverge

Answer: c (pages 229)

3. Among the following what are the characteristics of global brands ?
 - a. Address similar consumers needs worldwide
 - b. Attached to high-end products or services
 - c. Easy to pronounce
 - d. Advertising made only in English language

Answer: a and c (page 231)

4. Why McDonald can considered as a product adaptive global brand ?
 - a. Because McDonald advertising is different from country to country
 - b. Because the products sold in McDonald’s restaurants are adapted to specific country characteristics
 - c. Because product quality differs from country to country

Answer: b (page 229)

5. Why advertizing cannot be entirely global ?
 - a. Because local culture and regulations
 - b. Because different agencies implement advertizing campaigns
 - c. Because products are positioned differently according to countries

Answer: a (page 235)

6. When global pricing is more appropriate?
- When the product or service is targeted at customers that have similar value curve
 - When the product or service is sold under a strong 'global brand'.
 - When there are strong possibilities of arbitrage.
 - When the product or service has standardised functionalities, qualities and features.

Answer: all (page 236)

7. Why global pricing may create is sub-optimization ?
- Because of currencies differences
 - Because of value added taxes
 - Because of differences in customers's utility curves

Answer: c (page 237)

8. What are the differences between global account management and global solution selling?
- No differences, it is the same
 - Global account is for procurement and global solution selling for sales
 - Global account is the serving customers' subsidiaries according to a centrally negotiated contract while global solution selling is the contribution of a global company's subsidiaries to a single customer

Answer: c (pages 238,239)

9. Among the following three factors which one explain why sales and distribution are often the most difficult functions to globalize?
- Because of negotiation cultures
 - Because of no economies of scale
 - Because of currencies fluctuation

Answer: a (page 241)

Chapter 9: Global Operations

1. What are the differences between offshoring and outsourcing?
 - a. Offshoring is locating factories in a different country while outsourcing is buying from a different country
 - b. No difference
 - c Offshoring is locating factories or buying from different countries, while outsourcing can be done either in the home country or in different countries

Answer: c (page 251)

2. Which type of offshoring are accepted politically in the home?
 - a. Local for local production
 - b. Local for local outsourcing
 - c. Local for global production
 - d. Local for global production

Answers: a and b (page 251)

3. What is the primary role of a server factory?
 - a. To produce low-cost items
 - b. To produce products or components for local or regional markets
 - c. To design and produce products for the entire global network

Answer: b (page 255)

4. What are the implications of the distinction between front-office and back-office activities in services for global business?
 - a. Both need local adaptation
 - b. Front-office needs more local adaptation than back-office
 - c. Back-office can be centralized while front-office not

Answers: b and c (page 257)

5. When a distributed procurement is appropriate?
 - a. When local prices are low
 - b. When governments impose local content
 - c. When electronic sourcing is not possible

Answer: b (page 259)

6. In a reverse auction through internet?
 - a. The sellers adjust their price over the allocated time
 - b. The sellers communicate their price by e-mail
 - c. The buyer selects always the lower price

Answer: a (page 260)

7. In a ROT contract in projects ?
 - a. The project provider builds the project and operates it
 - b. The project provider builds the project and helps the customer to operate it
 - c. The project provider refurbishes the old installation and operates it

Answer: c (page 264)

8. What is the reach versus richness trade-off when applied to internet ?
 - a. Internet is more better at reaching a large number of customers than to provide quality goods or services
 - b. Internet focuses on costs reduction and therefore is less rich in term of services than brick and mortars transactions
 - c. Internet permits to achieve at the same time volume and quality of service

Answer: c (page 269)

9. The internet contribution to globalization ?
 - a. Makes global products more visible
 - b. Makes competitive comparisons easier
 - c. Enhance global sourcing
 - d. Exploits differences in country costs

Answers: all (page 271)

10. To what extent the internet facilitates the management of global firms ?
 - a. Provides a platform for global knowledge management
 - b. Allows a more centralized management
 - c. Eliminates cultural differences

Answers: a (page 272)

Chapter 10: Global Operations

1. According to the international product life cycle theory?
 - a. Innovation done in one country diffuse instantaneously all over the world
 - b. Innovation done in one country is transferred to other countries over time
 - c. Innovation is transferred without adptation

Answer: b (page 284)

2. What criticisms are addressed to global R and D networks?
 - a. They are expensive
 - b. There is a loss of critical mass
 - c. There are language problems
 - d. They do not permit the communication of tacit knowledge

Answers: b and d (page 288, 389)

3. In a parallel distributed management of global projects?
 - a. Several research centres take responsibility for one different inter-related element in the design and creation of the product/process
 - b. The project is divided between several units in such a way that inter-unit communication is limited to only a few parameters.
 - c. The project is ditibrated around the clock to research centre according to time zone

Answer: b (page 291)

4. What is appropriate technology transfer?
 - a. Technology is transferred at an appropriate time
 - b. Technology is state of the art
 - c. Technology transferred is adapted to fit with local conditions

Answer: c (page 294)

5. When explicit knowledge is transformed in tacit knowledge one talks about?
 - a. Socialization
 - b. Acculturation

- c. Internalization
- d. Combination

Answer: c (page 295)

6. In the metanational model?
- a. Dispersed knowledge creation centres with diverse capabilities share knowledge
 - b. Decentralised knowledge creation centres report to a central R and D corporate office who centralizes knowledge
 - c. Central R and D allocates projects to dispersed centres

Answers: a (page 298)

7. To protect intellectual property right it is often recommended one of the following:
- a. Deploy internationally only obsolete or “old” technology
 - b. Restrict disclosure of IP to a selected number of employees
 - c. Patent all knowledge

Answer: b (page 299)

Chapter 11: Cross Cultural Management

1. Religious faiths and assumptions about human nature belong to the cultural category of:

- a. Values
- b. Preferences
- c. Behavior
- d. Basic assumptions and meanings

Answer: d (page 311)

2. What is a “silent language”:

- a. Way of communicating with “signs”
- b. A non-verbal communication
- c. A written language

Answer: b (page 313)

3. According to Hofstede, Asian cultures are:

- a. Low on individualism and low on power distance
- b. High on power distance and high on individualism
- c. High on power distance and low on individualism

Answer: c (page 315)

4. Based on Laurent’s research:

- a. For American managerial culture subordinates accept to have two bosses
- b. Asian subordinates do not expect that their bosses have precise answers to questions about their work
- c. Scandinavian accept that hierarchy can be by-passed

Answers: a and c (page 315)

5. An economic culture:

- a. Is a culture that pretends that societies are driven by economic factors
- b. Is a culture that pretends that the objective in life is to maximize economic performances

- c. Is a culture that pretends that institutional governance and competitive behavior are driven by socio-economical factors

Answer: c (page 317)

6. The societal ends according to the Anglo-American cultures are:
- a. The pursuit of material success
 - b. Full employment
 - c. Community development

Answer: a (page 318)

7. Performance of multicultural teams is a function of:
- a. The language skills of participants
 - b. The absence of stereotypes
 - c. The ability of leaders to maintain multiplicity of perspectives
 - d. The geographical distance

Answers: b and c (page 320)

8. In a negotiation, the bargaining range is:
- a. The difference between the opening offers of the seller and the buyer
 - b. The difference between the seller's and the buyer's reservation price
 - c. The difference between the buyer's and seller's opening offers minus an uncertainty factor

Answer: b (page 321)

9. Business etiquette:
- a. Is the set of government rules that regulate business transactions
 - b. Is the set of "silent language" codes

c. Is the set of rituals that take place when people communicate in business transactions

Answer: c (page 325)

Chapter 12: Global Human Resource Management

1. In the Multi-domestic human resource design :
 - a. Local personnel have many opportunities to become part of the corporate office
 - b. Local are managed globally
 - c. Local personnel have their careers in their own countries

Answer: c (page 338)

2. When firms move away from the traditional expatriate model and adopt a global staffing model
 - a. Expatriate contracts are progressively replaced by local contracts
 - b. People are appraised based on local performances only
 - c. Recruitment of global staff is made from all over the world

Answers: a and c (page 339)

3. During the process of acculturation some expatriates adopt a “flight” attitude; meaning that:
 - a. They try to leave their assignment as soon as possible
 - b. They insulate themselves and prefer to live in an “expatriate ghetto
 - c. They show hostility toward the local environment

Answers: b (page 340)

4. According to Stahl, among the recommended skills for selecting expatriate is the ability to :
 - a. Know the language
 - b. To develop good contacts with governments
 - c. To be tolerant to ambiguity

d. To maintain a unified global culture

Answers: c (page 342)

5. In a local based compensation package for expatriates :

- a. Employees are paid a salary based on a basket of currencies
- b. Cost of living differences are not taken into account
- c. Employees are paid in line with the equivalent local job with some adjustments

Answers: c (page 345)

6. What does mean “mentoring” expatriates :

- a. Companies pay for psychological support to help expatriates
- b. A manager located at headquarters is in charge of maintaining a regular communication with the expatriate about career issues
- c. A process of performance evaluation through which hierarchical supervisor give feedback to the expatriate

Answers: c (page 345)

7. Along those what are the features of “fair treatment” of local personnel :

- a. Local personnel are compensated on the principle of equal job equal pay
- b. Local personnel are trained to climb the hierarchy in their own country
- c. Local personnel are given bonuses according to local performances

Answers: a (page 350)

Chapter 13: Global Financial Management

1. Hedging against strategic exposure can be done by :

- a. Balancing sales and production
- b. Buying forward contracts
- c. Netting

Answers: a (page 365)

2. Leading and lagging consists in :

- a. Buying put options and call options simultaneously
- b. Delay the collection or accelerate payment of payables according to the nature of currency
- c. Delaying the payment of taxes by using tax heavens

Answers: b (page 367)

3. In adjusted present value for cash flow valuation:

- a. Cash flows are adjusted with inflation
- b. The discount factor used is adjusted with a country risk premium
- c. Cash flows are adjusted using a probability distribution of risks

Answers: c (page 368)

4. When investing in a country the political risks of that country:

- a. Is a systematic risk for that investment
- b. Is a unsystematic risk that can be diversified by investing in a portfolio of countries

Answers: a (page 369)

5. The fact that Japan's stock market does not correlate with others markets (except London) show:

- a. Japan is strange country
- b. Japanese investors are influenced by Financial Time in their investment decisions
- c. Capital markets are not really convergent

Answers: c (pages 369,370)

6. A Eurobond is :

- a. Is a bond denominated in Euros
- b. Is a bond issued from Europe
- c. Is a bond denominated in foreign currency to the buyer

Answer: c (371)

7. A credit rating:

- a. Is the determination of a rate for an international bond
- b. Is the rating of the value of a project for which the credit is granted
- c. Is the assessment of probability of default of the borrower
- d. Is the assessment of currencies risks

Answer: c (372)

8. A letter of credit:

- a. Is a document issued by the importer's bank
- b. Is a document issued by the exporter's bank
- c. Is a document issued by the International Chamber of Commerce

Answer: a (373)

9. Assuming that the current spot rate of the Brazilian Real to the Euro is 0.44 real per eur and the expected inflation in the Euro zone is 1.8% and 5% in Brazil will be the exchange rate based on the PPP relation one year after

- a. 0.426
- b. 0.419
- c. 0.432

Answer: a (page 389)

Chapter 14: Emerging Global Players

1. Which one of those is not a characteristic of an emerging country? :

- a. Increasing middle class
- b. Opening of markets
- c. Planned state –owned economy
- d. High degree of infrastructure investments

Answer: c (400)

2. Which of those is an “institutional void”?

- a. Inefficient judicial system
- b. Corruption
- c. Centralization of power

Answer: c (404)

3. According to “Bottom of the Pyramid” strategies

- a. Products are of lower quality
- b. There is no advertising
- c. Products are fitting local conditions
- d. Products are low-tech

Answer: c (405)

4. Offshoring and Outsourcing in emerging countries can be disadvantageous:

- a. Because of “market failures”
- b. Because of risk of supply chain disruption
- c. Because political risks
- d. Because lack of customer proximity

Answers: b and d (408)

5. Emerging markets champions competitive strategies are based on:
- a. An initial protected home market
 - b. Corrupted practices
 - c. Acquired technology
 - d. No environmental protection
 - e. Using OEM contracts

Answers: b, c, d (408, 409)

Chapter 15: The Social Responsibility of Global Firms

1. What does mean "Doing well by doing good"?:

- a. An advertising slogan
- b. Making good decisions
- c. Making socially responsible actions that are also good for the company

Answer: c (421)

2. When an ethical dilemma may happen?:

- a. When one apply a self-interested ethical decision
- b. When an ethical choice generate bad outcome
- c. When an ethical choice runs against current business practices
- d. When good outcome may results from a morally wrong choice

Answers: b and d (423)

3. What proportion of the world economy is paid in bribes?:

- a. 15.2%
- b. 3.3 %
- c. 5.1 %

Answer: b (423)

4 . When a gift are not considered as a bribe ?:

- a. When it represent a relatively small amount
- b. When the amount and nature of the gift are openly disclosed

c. When it is given to an organization and not a person

Answer: b (425)

4. Why corruption is often considered as discouraging foreign investments?:

a. Because it hides the real economic value of a project

b. Because bribes goes often to the wrong persons

c. Because it dislocate the social fabric in host countries

Answer: a (426)

4. What is a “cap and trade” scheme to reduce CO2 emissions: ?

a. A regulation that oblige companies to close high emitting facilities

b. A scheme by which a high emitting company are taxed heavily by authorities

c. A scheme by which authorities allow companies to emit CO2 up to a limit above which they have to buy CO2 credits

Answer: c (431)

5. An eco-friendly investment?

a. An investment in renewable energies projects

b. An investment in projects that has a low environmental Impact on all inputs and output factors

c. An investment in projects that are not producing CO2

Answer: b (431)

5. What is the global magnitude of child labor ?

a. 15 million

b. 150 million

c. 250 million

d. 500 million

Answer: c (435)

5. To buy products from a supplier who discriminates against women is ethically right if ?

- a. It is part of the traditional culture
- b. There is no other alternative
- c. In that country the President or the Prime Minister is a woman

Answer: None but it can be considered sometime as an “ethical dilemma”

6. What Amnesty International consider as good practice on human rights for global companies?

- a. Ensure fair remuneration
- b. Finance hospitals and schools in countries
- c. Help financially organizations that are from the left
- d. Ensure freedom of expression

Answers: a and d(438)

7. Social Reporting

- a. Is mandatory for global companies
- b. Is a set of indicators on human resources issues
- c. Is a document that provide indicators on the performance of companies on all dimensions of social responsibility

Answer: c (441)

Chapter 16: Global Trends

1. Among those which arguments the dissenting voices use to criticize globalization

- c. Bolivia
- d. Brazil

Answer: b(462)

7. What is the “Hubbert’s peak”
- a. A climatic indicator
 - b. The acceptable level of CO2 according to geographical characteristics
 - c. The period when oil reserve will start to decrease

Answer: c (464)

8. Is the I Phone a Pervasive Information Technology product?

Answer: YES (467)

9. Among those, what are the global risks qualified as Low by the World Economic Forum up to 2020?
- a. Increase in illicit trade
 - b. Civil wars
 - c. Inadequate ocean governance
 - d. Threats from new technologies

Answers: b and d (468-470)

10. In the individualized corporation model
- a. Is an organization based on networked relationships
 - b. Is an organization where individuals employees contribute to decision-making
 - c. Is an organization based on small business units

11. Answer: a (475)

