# Chapter 01 Testbank

1. The most global of markets is for industrial goods and materials that serve a universal need around the world, rather than for consumer products.

True   False

2. Over the past two decades, the globalisation of markets in the services sector has overtaken that of goods manufacturing.

True   False

3. Growth in China’s manufacturing sector and in its middle class is creating both opportunities and threats for Australia’s economy.

True   False

4. A firm has to become a multinational enterprise to engage in international business.

True   False

5. Offshoring is a special form of outsourcing.

True   False

6. Part of Boeing’s rationale for outsourcing so much of its production to foreign suppliers is that these suppliers are the best in the world at their particular activity.

True   False

7. The move towards a global economy has also been strengthened by the widespread adoption of liberal economic policies by countries that had firmly opposed them for two generations or more.

True   False

8. The economies like those of China and India are developing and a business that enters these markets could grow with them.

True   False

9. Managers in an international business must deal with government restrictions on international trade and investment.

True   False

10. The Group of Eight (G8) represents the fastest-growing emerging economies (including China and Brazil) with respect to global economic issues.

True   False

11. One of the objectives of Boeing’s outsourcing strategy was to reduce risk by:

A. replicating existing domestic products and operations in foreign locations.

B. ensuring that most key management decisions were made by foreign nationals.

C. pushing some of the risks associated with the production of the new 787 on to foreign suppliers.

D. more women occupying key management positions in the organisation.

12. The most global of brand names is in:

A. services.

B. consumer goods.

C. industrial goods.

D. intellectual capital.

13. Critics of offshoring, which is when tasks previously performed in one country are undertaken abroad, suggest that it causes \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. job losses; depresses wages

B. higher trade; lower trade barriers

C. poverty; greater wealth concentration

D. home-country costs; host-country benefits

14. Which of the following refers to the exporting of goods or services to consumers in another country?

A. Situational commerce.

B. World exchange.

C. International trade.

D. Cross-national barter.

15. When a firm invests resources in business activities outside its home country, giving it control over those activities, this is referred to as:

A. international trade.

B. domestic direct investment.

C. transnational barter.

D. foreign direct investment.

16. Critics of globalisation argue that falling trade barriers and the costs of production allow firms to move manufacturing operations to countries where the wage rates are much lower than in Australia. Supporters of globalisation reply to these criticisms and trends by making the point that:

A. the benefits outweigh the costs.

B. the costs outweigh the benefits.

C. costs are offset by concentrating on product and market factors.

D. consumers benefit in the long run.

17. The globalisation of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production (such as labour, energy, land and capital).

A. information technology

B. process design

C. markets

D. production

18. The globalisation of \_\_\_\_\_\_\_\_\_\_\_\_\_\_ refers to the merging of historically distinct and separate national markets into one huge global marketplace.

A. corporations

B. production

C. markets

D. culture

19. A company does not have to be the size of a multinational corporation to facilitate and benefit from the globalisation of markets. In Australia, for example, \_\_\_\_\_\_\_ of all goods exporters are small businesses employing fewer than \_\_\_\_\_\_\_\_\_\_\_ employees.

A. 57 per cent; 10

B. 67 per cent; 15

C. 44 per cent; 20

D. 87 per cent; 25

20. Fifty outside suppliers spread around the world account for 65 per cent of the value of Boeing’s 787 Dreamliner. As such, Boeing can be said to be undertaking:

A. exporting.

B. licensing.

C. outsourcing.

D. franchising.

21. Significant differences in cultures, politics and economies between countries can sometimes make it necessary for multinationals to:

A. standardise their product offerings, and then adapt to local conditions.

B. adapt their product offerings, and then standardise to local conditions.

C. outsource manufacturing to key suppliers.

D. open large warehouses under franchise agreements.

22. One of the key considerations for Indian-based global conglomerate the Tata Group in bringing to market the Nano was:

A. free delivery to customers who repeat-purchase.

B. subsidised customer parking.

C. low incomes in India that are rapidly rising.

D. car designs for small-space living in high-rise apartments.

23. An international treaty that committed signatories to lowering barriers to the free flow of goods across national borders is called:

A. the International Agreement on Trade.

B. the Global Expansion Agreement.

C. the Warsaw Pact.

D. the General Agreement on Tariffs and Trade.

24. The most global of markets is in:

A. services.

B. consumer goods.

C. industrial goods and materials.

D. intellectual capital.

25. The term ‘offshoring’:

A. is synonymous with the term ‘outsourcing’.

B. means that tasks previously performed in one country are undertaken abroad.

C. means shoring up intellectual capital.

D. means that tasks previously performed in-house are now purchased from another country.

26. Globalisation of production allows companies to \_\_\_\_\_\_\_\_\_\_\_\_\_\_ so that they may \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. diversify their products; innovate in their home market’s homogeneity

B. leverage their capital investments; complexify their customer base

C. lower their production costs; compete more effectively

D. isolate production risks; minimise market disruptions

27. Although outsourcing has primarily been confined to \_\_\_\_\_\_\_\_\_\_\_, companies are increasingly taking advantage of outsourcing for \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. services; manufacturing

B. manufacturing; services

C. mining; manufacturing

D. manufacturing; mining

28. \_\_\_\_\_\_\_ is seen as the lender of last resort to nation-states whose economies are in economic turmoil and whose currencies are losing value against those of other nations.

A. The International Monetary Fund

B. The International Bank

C. The United Nations

D. The United States

29. With membership of 193 countries, the \_\_\_\_\_\_\_\_\_ was established to preserve peace through international cooperation and collective security.

A. World Monetary Fund

B. International Monetary Fund

C. International Bank

D. United Nations

30. Promoting economic development, primarily by offering financial and technical assistance to governments of poorer nations, is the purpose of:

A. the United Nations.

B. the International Monetary Fund.

C. the World Trade Organization.

D. the World Bank.

31. \_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_ are the two macro factors that seem to underlie the trend towards greater globalisation.

A. The increase in global economic stability; the slowdown in technological change

B. The increase in barriers to the free flow of goods, services and capital that has occurred since the end of World War Two; global economic stability

C. The decline in barriers to the free flow of goods, services and capital that has occurred in the past 10 years; the slowdown in technological change

D. The decline in barriers to the free flow of goods, services and capital that has occurred since the end of World War Two; increased technological change

32. The investing of resources in business activities outside a firm’s home country is referred to as:

A. international trade.

B. domestic direct investment.

C. transnational barter.

D. foreign direct investment.

33. The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (now subsumed under the World Trade Organization) is a treaty designed to remove barriers to the free flow of goods, services and capital between nations.

A. Global Agreement on Tariffs and Commerce

B. United Nations Treaty on Trade

C. General Agreement on Tariffs and Trade

D. Multinational Agreement on Tariffs and Commerce

34. Evidence suggests that foreign direct investment is playing:

A. a decreasing role in the world economy.

B. an increasing role in the world economy for services but a decreasing role in the world economy for manufactured goods.

C. an increasing role in the world economy for manufactured goods but a decreasing role in the world economy for services.

D. an increasing role in the world economy.

35. When discussing foreign direct investment (FDI), it is important to distinguish between the flow of FDI and the \_\_\_\_\_\_\_\_\_\_\_\_\_ of FDI.

A. outflow

B. inflow

C. stock

D. trade

36. Two factors seem to underlie the trend towards globalisation: (i) declining trade barriers; and (ii) changes in communication, information and transport technologies. These factors have facilitated the trend towards the globalisation of production and have enabled companies to view the world as \_\_\_\_\_\_\_\_\_\_.

A. a single market

B. multiple markets

C. two markets

D. three markets

37. \_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the theory that predicts that the power of microprocessor technology doubles and its cost of production falls every 18 months.

A. Brennan’s Theorem

B. Bailey’s Law

C. Moore’s Law

D. Ivan’s Law

38. With the technological advances in transport and ICT, it is no longer necessary to produce goods close to where they are consumed, resulting in a rapid increase in trade and \_\_\_\_\_\_.

A. FDI

B. services

C. manufacturing

D. agriculture

39. Due to containerisation and other developments in transport technology, the transport costs associated with the globalisation of production have:

A. remained the same.

B. increased dramatically.

C. declined.

D. increased slightly.

40. When tasks that were previously performed in-house are now purchased from another company, this is referred to as:

A. outsourcing.

B. offshoring.

C. globalisation.

D. WTO.

41. One concern of critics of globalisation is that a global economy shifts economic power away from \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and towards \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. the proletariat; the bourgeoisie

B. national governments; supranational organisations

C. the West; the East

D. the East; the West

42. Which of the following is not a reason why some of the world’s poorest countries have suffered from economic stagnation?

A. Democratic governments.

B. Economic policies that destroy rather than facilitate the creation of wealth.

C. Weak protection of property rights.

D. War.

43. To \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the minimum that a firm has to do to engage in international business.

A. export or import

B. invest directly in operations in another country

C. establish joint ventures or strategic alliances with companies in other countries

D. license products to companies in other countries

44. Any firm that engages in international trade or investment is referred to as:

A. a multinational.

B. a franchise.

C. a conglomerate.

D. an international business.

45. Managing an international business is different from managing a purely domestic business, for all of the following reasons except:

A. countries are different.

B. international transactions involve converting money into different currencies.

C. the range of problems confronted by a manager in an international business is narrower than those confronted by a manager in a domestic business.

D. an international business must find ways to work within the limits imposed by government intervention in the international trade and investment system.

46. Managing an international business is different from and more challenging than managing a domestic business, for a variety of reasons, including country differences, the wider range of more complex problems, the greater intensity of competition, the increased likelihood of intervention by both home and host governments, and:

A. the fact that barriers to cross-border trade and investment are said to be flat or dormant.

B. the fact that outsourcing is increasing due to worldwide productivity.

C. the added complexity of conducting transactions in different countries.

D. the fact that national economies are becoming increasingly interdependent on each other.

47. An important positive driver of the growth of the Indian software industry has been:

A. India’s earnings growth of more than 50 per cent per annum.

B. India’s proximity to China.

C. the falling regulatory and administrative barriers to doing business internationally.

D. India’s abundant supply of engineering talent.

48. In keeping with the normative prescriptions of liberal economic ideology, in country after country we have seen state-owned businesses privatised, widespread deregulation adopted, markets opened to more competition, and commitment increased to removing barriers to cross-border trade and investment. All of this helps to:

A. achieve economic dominance over the rest of the world.

B. ensure that authoritarian governments shift their emphasis towards more democratic controls.

C. facilitate a move towards the establishment of a more global economic system.

D. predict shifts (along with their attendant risks) in the economic, political, social, technological and environmental structures of the world.

49. The Group of Twenty (G20) is an international forum comprising the government representatives of the G8 and other economies, including the emerging economies of Brazil, China and India, as a reflection of their rising global economic and political power to:

A. achieve economic dominance over the rest of the world.

B. ensure that authoritarian governments shift their emphasis towards more democratic controls.

C. help facilitate continuing globalisation and trade liberalisation.

D. predict shifts (along with their attendant risks) in the economic, political, social, technological and environmental structures of the world.

50. A sovereign wealth fund is a:

A. government-controlled fund that manages and invests government savings.

B. privately controlled fund that manages and invests private sector savings.

C. pseudo-controlled fund that manages both private and government savings.

D. savings fund for the benefit of countries in the Commonwealth only.

51. Each market is a product of idiosyncratic historical, political, legal, economic and cultural forces within the country. Understanding these conditions and learning how to work with them in the specific market is the key to taking advantage of the growth opportunities that emerging markets offer in the\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. 19th century

B. 20th century

C. 21st century

D. 18th century

52. The Group of Eight (G8) comprises representatives of the governments of Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the United States. It represents \_\_\_\_\_\_\_\_\_\_people.

A. 100 million

B. 200 million

C. 300 million

D. 900 million

53. The changing shape of the global economy can be examined by the following except:

A. the changing world output and world trade picture.

B. the changing foreign direct investment picture.

C. the changing nature of marketing.

D. the changing world order.

54. Concerns over \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ , lower wages and growing income inequality

are frequently voiced by globalisation opponents.

A. job losses

B. job promotions

C. transfers

D. job promotions with transfers

55. Many influential economists, politicians and business leaders believe that globalisation stimulates economic growth, raises the incomes of consumers, and helps to create\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_that participate in the global trading system.

A. jobs in all countries

B. patents in all countries

C. copyrights in all countries

D. trademarks in all countries

56. Critics of globalisation argue that despite the supposed benefits associated with free trade and investment, over the past 100 years or so the gap between the rich and poor nations of the world has\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. no significant change

B. widened

C. become balanced

D. become smaller

57. The richest nations of the world can also help by reducing barriers to the importation of products from the world’s poorest nations, particularly tariffs on imports of \_\_\_\_\_\_\_\_\_\_\_products and textiles.

A. electronic

B. agricultural

C. service

D. manufacturing

58. The minimum that a firm has to do to engage in international business is to:

A. export or import products from other countries.

B. invest directly in operations in another country.

C. establish joint ventures or strategic alliances with companies in other countries.

D. export low-wage manufacturing jobs to companies in other countries.

59. Free trade alone, some argue, is a necessary but not sufficient prerequisite to help ‘highly indebted poorer countries’ (HIPCs) bootstrap themselves out of poverty. They also recommend implementing:

A. a highly regulated command economy.

B. weaker property rights laws.

C. weaker labour regulations.

D. large-scale debt relief.

60. The rise of the \_\_\_\_\_\_\_ has lowered the barriers that small companies face in providing products and services internationally and in building international sales.

A. internet

B. produce price

C. raw materials cost

D. service charge

# Chapter 01 Testbank Key

1. The most global of markets is for industrial goods and materials that serve a universal need around the world, rather than for consumer products.

Ans: True

Blooms: Knowledge  
Difficulty: Easy  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: What Is Globalisation?

2. Over the past two decades, the globalisation of markets in the services sector has overtaken that of goods manufacturing.

Ans: False

Blooms: Comprehension  
Difficulty: Easy  
Learning Objective: 1.4 Debate the impact of globalisation on issues such as job security, income inequality and the environment.  
Topic: The Globalisation Debate

3. Growth in China’s manufacturing sector and in its middle class is creating both opportunities and threats for Australia’s economy.

Ans: True

Blooms: Application  
Difficulty: Easy  
Learning Objective: 1.4 Debate the impact of globalisation on issues such as job security, income inequality and the environment.  
Topic: The Globalisation Debate

4. A firm has to become a multinational enterprise to engage in international business.

Ans: False

Blooms: Knowledge  
Difficulty: Easy  
Learning Objective: 1.2 Illustrate how the global economy has changed over the past 50 years.  
Topic: The Changing Shape of the Global Economy

5. Offshoring is a special form of outsourcing.

Ans: True

Blooms: Knowledge  
Difficulty: Medium  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: Introduction

6. Part of Boeing’s rationale for outsourcing so much of its production to foreign suppliers is that these suppliers are the best in the world at their particular activity.

Ans: True

Blooms: Knowledge  
Difficulty: Easy  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: What Is Globalisation?

7. The move towards a global economy has also been strengthened by the widespread adoption of liberal economic policies by countries that had firmly opposed them for two generations or more.

Ans: True

Blooms: Knowledge  
Difficulty: Medium  
Learning Objective: 1.3 Justify the labelling of the 21st century as the Emerging Markets Century.  
Topic: The Changing Shape of the Global Economy

8. The economies like those of China and India are developing and a business that enters these markets could grow with them.

Ans: True

Blooms: Knowledge  
Difficulty: Easy  
Learning Objective: 1.3 Justify the labelling of the 21st century as the Emerging Markets Century.  
Topic: The Changing Shape of the Global Economy

9. Managers in an international business must deal with government restrictions on international trade and investment.

Ans: True

Blooms: Knowledge  
Difficulty: Easy  
Learning Objective: 1.5 Compare how the management of international business differs from the management of domestic business.  
Topic: Managing in the Global Marketplace: What’s the Difference?

10. The Group of Eight (G8) represents the fastest-growing emerging economies (including China and Brazil) with respect to global economic issues.

Ans: False

Blooms: Comprehension  
Difficulty: Medium  
Learning Objective: 1.2 Illustrate how the global economy has changed over the past 50 years.  
Topic: The Changing Shape of the Global Economy

11. One of the objectives of Boeing’s outsourcing strategy was to reduce risk by:

A. replicating existing domestic products and operations in foreign locations.

B. ensuring that most key management decisions were made by foreign nationals.

C. pushing some of the risks associated with the production of the new 787 on to foreign suppliers.

D. more women occupying key management positions in the organisation.

Ans: C

Blooms: Comprehension  
Difficulty: Hard  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: Introduction

12. The most global of brand names is in:

A. services.

B. consumer goods.

C. industrial goods.

D. intellectual capital.

Ans: C

Blooms: Comprehension  
Difficulty: Medium  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: What Is Globalisation?

13. Critics of offshoring, which is when tasks previously performed in one country are undertaken abroad, suggest that it causes \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. job losses; depresses wages

B. higher trade; lower trade barriers

C. poverty; greater wealth concentration

D. home-country costs; host-country benefits

Ans: A

Blooms: Knowledge  
Difficulty: Hard  
Learning Objective: 1.4 Debate the impact of globalisation on issues such as job security, income inequality and the environment.  
Topic: The Globalisation Debate

14. Which of the following refers to the exporting of goods or services to consumers in another country?

A. Situational commerce.

B. World exchange.

C. International trade.

D. Cross-national barter.

Ans: C

Blooms: Knowledge  
Difficulty: Easy  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: Drivers of Globalisation

15. When a firm invests resources in business activities outside its home country, giving it control over those activities, this is referred to as:

A. international trade.

B. domestic direct investment.

C. transnational barter.

D. foreign direct investment.

Ans: D

Blooms: Knowledge  
Difficulty: Easy  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: Drivers of Globalisation

16. Critics of globalisation argue that falling trade barriers and the costs of production allow firms to move manufacturing operations to countries where the wage rates are much lower than in Australia. Supporters of globalisation reply to these criticisms and trends by making the point that:

A. the benefits outweigh the costs.

B. the costs outweigh the benefits.

C. costs are offset by concentrating on product and market factors.

D. consumers benefit in the long run.

Ans: A

Blooms: Comprehension  
Difficulty: Medium  
Learning Objective: 1.4 Debate the impact of globalisation on issues such as job security, income inequality and the environment.  
Topic: The Globalisation Debate

17. The globalisation of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production (such as labour, energy, land and capital).

A. information technology

B. process design

C. markets

D. production

Ans: D

Blooms: Knowledge  
Difficulty: Easy  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: What Is Globalisation?

18. The globalisation of \_\_\_\_\_\_\_\_\_\_\_\_\_\_ refers to the merging of historically distinct and separate national markets into one huge global marketplace.

A. corporations

B. production

C. markets

D. culture

Ans: C

Blooms: Knowledge  
Difficulty: Medium  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: What Is Globalisation?

19. A company does not have to be the size of a multinational corporation to facilitate and benefit from the globalisation of markets. In Australia, for example, \_\_\_\_\_\_\_ of all goods exporters are small businesses employing fewer than \_\_\_\_\_\_\_\_\_\_\_ employees.

A. 57 per cent; 10

B. 67 per cent; 15

C. 44 per cent; 20

D. 87 per cent; 25

Ans: C

Blooms: Knowledge  
Difficulty: Easy  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: What Is Globalisation?

20. Fifty outside suppliers spread around the world account for 65 per cent of the value of Boeing’s 787 Dreamliner. As such, Boeing can be said to be undertaking:

A. exporting.

B. licensing.

C. outsourcing.

D. franchising.

Ans: C

Blooms: Comprehension  
Difficulty: Medium  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: What Is Globalisation?

21. Significant differences in cultures, politics and economies between countries can sometimes make it necessary for multinationals to:

A. standardise their product offerings, and then adapt to local conditions.

B. adapt their product offerings, and then standardise to local conditions.

C. outsource manufacturing to key suppliers.

D. open large warehouses under franchise agreements.

Ans: A

Blooms: Comprehension  
Difficulty: Medium  
Learning Objective: 1.5 Compare how the management of international business differs from the management of domestic business.  
Topic: Managing in the Global Marketplace: What’s the Difference?

22. One of the key considerations for Indian-based global conglomerate the Tata Group in bringing to market the Nano was:

A. free delivery to customers who repeat-purchase.

B. subsidised customer parking.

C. low incomes in India that are rapidly rising.

D. car designs for small-space living in high-rise apartments.

Ans: C

Blooms: Comprehension  
Difficulty: Hard  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: What Is Globalisation?

23. An international treaty that committed signatories to lowering barriers to the free flow of goods across national borders is called:

A. the International Agreement on Trade.

B. the Global Expansion Agreement.

C. the Warsaw Pact.

D. the General Agreement on Tariffs and Trade.

Ans: D

Blooms: Knowledge  
Difficulty: Easy  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: The Emergence of Global Institutions

24. The most global of markets is in:

A. services.

B. consumer goods.

C. industrial goods and materials.

D. intellectual capital.

Ans: C

Blooms: Knowledge  
Difficulty: Easy  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: What Is Globalisation?

25. The term ‘offshoring’:

A. is synonymous with the term ‘outsourcing’.

B. means that tasks previously performed in one country are undertaken abroad.

C. means shoring up intellectual capital.

D. means that tasks previously performed in-house are now purchased from another country.

Ans: B

Blooms: Knowledge  
Difficulty: Medium  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: Introduction

26. Globalisation of production allows companies to \_\_\_\_\_\_\_\_\_\_\_\_\_\_ so that they may \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. diversify their products; innovate in their home market’s homogeneity

B. leverage their capital investments; complexify their customer base

C. lower their production costs; compete more effectively

D. isolate production risks; minimise market disruptions

Ans: C

Blooms: Comprehension  
Difficulty: Medium  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: What Is Globalisation?

27. Although outsourcing has primarily been confined to \_\_\_\_\_\_\_\_\_\_\_, companies are increasingly taking advantage of outsourcing for \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. services; manufacturing

B. manufacturing; services

C. mining; manufacturing

D. manufacturing; mining

Ans: B

Blooms: Comprehension  
Difficulty: Medium  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: What Is Globalisation?

28. \_\_\_\_\_\_\_ is seen as the lender of last resort to nation-states whose economies are in economic turmoil and whose currencies are losing value against those of other nations.

A. The International Monetary Fund

B. The International Bank

C. The United Nations

D. The United States

Ans: A

Blooms: Knowledge  
Difficulty: Medium  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: The Emergence of Global Institutions

29. With membership of 193 countries, the \_\_\_\_\_\_\_\_\_ was established to preserve peace through international cooperation and collective security.

A. World Monetary Fund

B. International Monetary Fund

C. International Bank

D. United Nations

Ans: D

Blooms: Knowledge  
Difficulty: Medium  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: The Emergence of Global Institutions

30. Promoting economic development, primarily by offering financial and technical assistance to governments of poorer nations, is the purpose of:

A. the United Nations.

B. the International Monetary Fund.

C. the World Trade Organization.

D. the World Bank.

Ans: D

Blooms: Knowledge  
Difficulty: Medium  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: The Emergence of Global Institutions

31. \_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_ are the two macro factors that seem to underlie the trend towards greater globalisation.

A. The increase in global economic stability; the slowdown in technological change

B. The increase in barriers to the free flow of goods, services and capital that has occurred since the end of World War Two; global economic stability

C. The decline in barriers to the free flow of goods, services and capital that has occurred in the past 10 years; the slowdown in technological change

D. The decline in barriers to the free flow of goods, services and capital that has occurred since the end of World War Two; increased technological change

Ans: D

Blooms: Comprehension  
Difficulty: Hard  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: Drivers of Globalisation

32. The investing of resources in business activities outside a firm’s home country is referred to as:

A. international trade.

B. domestic direct investment.

C. transnational barter.

D. foreign direct investment.

Ans: D

Blooms: Knowledge  
Difficulty: Easy  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: Drivers of Globalisation

33. The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (now subsumed under the World Trade Organization) is a treaty designed to remove barriers to the free flow of goods, services and capital between nations.

A. Global Agreement on Tariffs and Commerce

B. United Nations Treaty on Trade

C. General Agreement on Tariffs and Trade

D. Multinational Agreement on Tariffs and Commerce

Ans: C

Blooms: Comprehension  
Difficulty: Easy  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: The Emergence of Global Institutions

34. Evidence suggests that foreign direct investment is playing:

A. a decreasing role in the world economy.

B. an increasing role in the world economy for services but a decreasing role in the world economy for manufactured goods.

C. an increasing role in the world economy for manufactured goods but a decreasing role in the world economy for services.

D. an increasing role in the world economy.

Ans: D

Blooms: Comprehension  
Difficulty: Easy  
Learning Objective: 1.2 Illustrate how the global economy has changed over the past 50 years.  
Topic: The Changing Shape of the Global Economy

35. When discussing foreign direct investment (FDI), it is important to distinguish between the flow of FDI and the \_\_\_\_\_\_\_\_\_\_\_\_\_ of FDI.

A. outflow

B. inflow

C. stock

D. trade

Ans: C

Blooms: Comprehension  
Difficulty: Easy  
Learning Objective: 1.2 Illustrate how the global economy has changed over the past 50 years.  
Topic: The Changing Shape of the Global Economy

36. Two factors seem to underlie the trend towards globalisation: (i) declining trade barriers; and (ii) changes in communication, information and transport technologies. These factors have facilitated the trend towards the globalisation of production and have enabled companies to view the world as \_\_\_\_\_\_\_\_\_\_.

A. a single market

B. multiple markets

C. two markets

D. three markets

Ans: A

Blooms: Knowledge  
Difficulty: Easy  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: What Is Globalisation?

37. \_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the theory that predicts that the power of microprocessor technology doubles and its cost of production falls every 18 months.

A. Brennan’s Theorem

B. Bailey’s Law

C. Moore’s Law

D. Ivan’s Law

Ans: C

Blooms: Knowledge  
Difficulty: Easy  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: Drivers of Globalisation

38. With the technological advances in transport and ICT, it is no longer necessary to produce goods close to where they are consumed, resulting in a rapid increase in trade and \_\_\_\_\_\_.

A. FDI

B. services

C. manufacturing

D. agriculture

Ans: A

Blooms: Knowledge  
Difficulty: Medium  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: Drivers of Globalisation

39. Due to containerisation and other developments in transport technology, the transport costs associated with the globalisation of production have:

A. remained the same.

B. increased dramatically.

C. declined.

D. increased slightly.

Ans: C

Blooms: Comprehension  
Difficulty: Medium  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: Drivers of Globalisation

40. When tasks that were previously performed in-house are now purchased from another company, this is referred to as:

A. outsourcing.

B. offshoring.

C. globalisation.

D. WTO.

Ans: A

Blooms: Knowledge  
Difficulty: Medium  
Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.  
Topic: Introduction

41. One concern of critics of globalisation is that a global economy shifts economic power away from \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and towards \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. the proletariat; the bourgeoisie

B. national governments; supranational organisations

C. the West; the East

D. the East; the West

Ans: B

Blooms: Knowledge  
Difficulty: Hard  
Learning Objective: 1.4 Debate the impact of globalisation on issues such as job security, income inequality and the environment.  
Topic: The Globalisation Debate

42. Which of the following is not a reason why some of the world’s poorest countries have suffered from economic stagnation?

A. Democratic governments.

B. Economic policies that destroy rather than facilitate the creation of wealth.

C. Weak protection of property rights.

D. War.

Ans: A

Blooms: Evaluation  
Difficulty: Hard  
Learning Objective: 1.4 Debate the impact of globalisation on issues such as job security, income inequality and the environment.  
Topic: The Globalisation Debate

43. To \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the minimum that a firm has to do to engage in international business.

A. export or import

B. invest directly in operations in another country

C. establish joint ventures or strategic alliances with companies in other countries

D. license products to companies in other countries

Ans: A

Blooms: Comprehension  
Difficulty: Easy  
Learning Objective: 1.5 Compare how the management of international business differs from the management of domestic business.  
Topic: Managing in the Global Marketplace: What’s the Difference?

44. Any firm that engages in international trade or investment is referred to as:

A. a multinational.

B. a franchise.

C. a conglomerate.

D. an international business.

Ans: D

Blooms: Knowledge  
Difficulty: Easy  
Learning Objective: 1.5 Compare how the management of international business differs from the management of domestic business.  
Topic: Managing in the Global Marketplace: What’s the Difference?

45. Managing an international business is different from managing a purely domestic business, for all of the following reasons except:

A. countries are different.

B. international transactions involve converting money into different currencies.

C. the range of problems confronted by a manager in an international business is narrower than those confronted by a manager in a domestic business.

D. an international business must find ways to work within the limits imposed by government intervention in the international trade and investment system.

Ans: C

Blooms: Evaluation  
Difficulty: Medium  
Learning Objective: 1.5 Compare how the management of international business differs from the management of domestic business.  
Topic: Managing in the Global Marketplace: What’s the Difference?

46. Managing an international business is different from and more challenging than managing a domestic business, for a variety of reasons, including country differences, the wider range of more complex problems, the greater intensity of competition, the increased likelihood of intervention by both home and host governments, and:

A. the fact that barriers to cross-border trade and investment are said to be flat or dormant.

B. the fact that outsourcing is increasing due to worldwide productivity.

C. the added complexity of conducting transactions in different countries.

D. the fact that national economies are becoming increasingly interdependent on each other.

Ans: C

Blooms: Comprehension  
Difficulty: Hard  
Learning Objective: 1.5 Compare how the management of international business differs from the management of domestic business.  
Topic: Managing in the Global Marketplace: What’s the Difference?

47. An important positive driver of the growth of the Indian software industry has been:

A. India’s earnings growth of more than 50 per cent per annum.

B. India’s proximity to China.

C. the falling regulatory and administrative barriers to doing business internationally.

D. India’s abundant supply of engineering talent.

Ans: D

Blooms: Knowledge  
Difficulty: Medium  
Learning Objective: 1.2 Illustrate how the global economy has changed over the past 50 years.  
Topic: The Changing Shape of the Global Economy

48. In keeping with the normative prescriptions of liberal economic ideology, in country after country we have seen state-owned businesses privatised, widespread deregulation adopted, markets opened to more competition, and commitment increased to removing barriers to cross-border trade and investment. All of this helps to:

A. achieve economic dominance over the rest of the world.

B. ensure that authoritarian governments shift their emphasis towards more democratic controls.

C. facilitate a move towards the establishment of a more global economic system.

D. predict shifts (along with their attendant risks) in the economic, political, social, technological and environmental structures of the world.

Ans: C

Blooms: Comprehension  
Difficulty: Medium  
Learning Objective: 1.3 Justify the labelling of the 21st century as the Emerging Markets Century.  
Topic: The Changing Shape of the Global Economy

49. The Group of Twenty (G20) is an international forum comprising the government representatives of the G8 and other economies, including the emerging economies of Brazil, China and India, as a reflection of their rising global economic and political power to:

A. achieve economic dominance over the rest of the world.

B. ensure that authoritarian governments shift their emphasis towards more democratic controls.

C. help facilitate continuing globalisation and trade liberalisation.

D. predict shifts (along with their attendant risks) in the economic, political, social, technological and environmental structures of the world.

Ans: C

Blooms: Comprehension  
Difficulty: Medium  
Learning Objective: 1.2 Illustrate how the global economy has changed over the past 50 years.  
Topic: The Changing Shape of the Global Economy

50. A sovereign wealth fund is a:

A. government-controlled fund that manages and invests government savings.

B. privately controlled fund that manages and invests private sector savings.

C. pseudo-controlled fund that manages both private and government savings.

D. savings fund for the benefit of countries in the Commonwealth only.

Ans: A

Blooms: Knowledge  
Difficulty: Medium  
Learning Objective: 1.2 Illustrate how the global economy has changed over the past 50 years.  
Topic: The Changing Shape of the Global Economy

51. Each market is a product of idiosyncratic historical, political, legal, economic and cultural forces within the country. Understanding these conditions and learning how to work with them in the specific market is the key to taking advantage of the growth opportunities that emerging markets offer in the\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. 19th century

B. 20th century

C. 21st century

D. 18th century

Ans: C

Blooms: Knowledge  
Difficulty: Medium  
Learning Objective: 1.3 Justify the labelling of the 21st century as the Emerging Markets Century.  
Topic: The Changing Shape of the Global Economy

52. The Group of Eight (G8) comprises representatives of the governments of Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the United States. It represents \_\_\_\_\_\_\_\_\_\_people.

A. 100 million

B. 200 million

C. 300 million

D. 900 million

Ans: D

Blooms: Knowledge  
Difficulty: Medium  
Learning Objective: 1.2 Illustrate how the global economy has changed over the past 50 years.  
Topic: The Changing Shape of the Global Economy

53. The changing shape of the global economy can be examined by the following except:

A. the changing world output and world trade picture.

B. the changing foreign direct investment picture.

C. the changing nature of marketing.

D. the changing world order.

Ans: C

Blooms: Evaluation  
Difficulty: Medium  
Learning Objective: 1.2 Illustrate how the global economy has changed over the past 50 years.  
Topic: The Changing Shape of the Global Economy

54. Concerns over \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ , lower wages and growing income inequality

are frequently voiced by globalisation opponents.

A. job losses

B. job promotions

C. transfers

D. job promotions with transfers

Ans: A

Blooms: Comprehension  
Difficulty: Medium  
Learning Objective: 1.4 Debate the impact of globalisation on issues such as job security, income inequality and the environment.  
Topic: The Globalisation Debate

55. Many influential economists, politicians and business leaders believe that globalisation stimulates economic growth, raises the incomes of consumers, and helps to create\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_that participate in the global trading system.

A. jobs in all countries

B. patents in all countries

C. copyrights in all countries

D. trademarks in all countries

Ans: A

Blooms: Knowledge  
Difficulty: Medium  
Learning Objective: 1.4 Debate the impact of globalisation on issues such as job security, income inequality and the environment.  
Topic: The Globalisation Debate

56. Critics of globalisation argue that despite the supposed benefits associated with free trade and investment, over the past 100 years or so the gap between the rich and poor nations of the world has\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. no significant change

B. widened

C. become balanced

D. become smaller

Ans: A

Blooms: Knowledge  
Difficulty: Medium  
Learning Objective: 1.4 Debate the impact of globalisation on issues such as job security, income inequality and the environment.  
Topic: The Globalisation Debate

57. The richest nations of the world can also help by reducing barriers to the importation of products from the world’s poorest nations, particularly tariffs on imports of \_\_\_\_\_\_\_\_\_\_\_products and textiles.

A. electronic

B. agricultural

C. service

D. manufacturing

Ans: B

Blooms: Comprehension  
Difficulty: Medium  
Learning Objective: 1.4 Debate the impact of globalisation on issues such as job security, income inequality and the environment.  
Topic: The Globalisation Debate

58. The minimum that a firm has to do to engage in international business is to:

A. export or import products from other countries.

B. invest directly in operations in another country.

C. establish joint ventures or strategic alliances with companies in other countries.

D. export low-wage manufacturing jobs to companies in other countries.

Ans: A

Blooms: Comprehension  
Difficulty: Medium  
Learning Objective: 1.5 Compare how the management of international business differs from the management of domestic business.  
Topic: Managing in the Global Marketplace: What’s the Difference?

59. Free trade alone, some argue, is a necessary but not sufficient prerequisite to help ‘highly indebted poorer countries’ (HIPCs) bootstrap themselves out of poverty. They also recommend implementing:

A. a highly regulated command economy.

B. weaker property rights laws.

C. weaker labour regulations.

D. large-scale debt relief.

Ans: D

Blooms: Knowledge  
Difficulty: Medium  
Learning Objective: 1.4 Debate the impact of globalisation on issues such as job security, income inequality and the environment.  
Topic: The Globalisation Debate

60. The rise of the \_\_\_\_\_\_\_ has lowered the barriers that small companies face in providing products and services internationally and in building international sales.

A. internet

B. produce price

C. raw materials cost

D. service charge

Ans: A

Blooms: Knowledge  
Difficulty: Medium  
Learning Objective: 1.2 Illustrate how the global economy has changed over the past 50 years.  
Topic: The Changing Shape of the Global Economy

# Chapter 01 Testbank Summary

|  |  |
| --- | --- |
| Category | # of Questions |
| Blooms: Application | 1 |
| Blooms: Comprehension | 22 |
| Blooms: Evaluation | 3 |
| Blooms: Knowledge | 34 |
| Difficulty: Easy | 21 |
| Difficulty: Hard | 7 |
| Difficulty: Medium | 32 |
| Learning Objective: 1.1 Explain the process and drivers of globalisation and the opportunities and challenges it creates for business. | 28 |
| Learning Objective: 1.2 Illustrate how the global economy has changed over the past 50 years. | 10 |
| Learning Objective: 1.3 Justify the labelling of the 21st century as the Emerging Markets Century. | 4 |
| Learning Objective: 1.4 Debate the impact of globalisation on issues such as job security, income inequality and the environment. | 11 |
| Learning Objective: 1.5 Compare how the management of international business differs from the management of domestic business. | 7 |
| Topic: Drivers of Globalisation | 7 |
| Topic: Introduction | 4 |
| Topic: Managing in the Global Marketplace: What’s the Difference? | 7 |
| Topic: The Changing Shape of the Global Economy | 14 |
| Topic: The Emergence of Global Institutions | 5 |
| Topic: The Globalisation Debate | 11 |
| Topic: What Is Globalisation? | 12 |