2022

COMMERCE

Paper : GE-105 (Mod. - I & II)

[International Business (IB)]

Full Marks : 40

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Module - I

Answer ***any two*** questions.

1. (a) Mention the activities that will create the demand for foreign exchange.

   (b) Mr. X, an Indian exporter sent a machinery at a price of $1,00,000 to a USA based company. As per the contract agreement, he will receive the payment in terms of dollar currency after a period of 3 months. Mr. X apprehends that exchange rate is going to fall from $1 = ₹ 83.50 to $1 = ₹ 80.50 by the end of 3 months, when he will actually receive the fund. He does not have adequate cash in possession or borrowing facility to cover the anticipated risk, but 3 months forward rate, $1 = ₹ 82, is available commercial bank. How does the exporter cover his position? What will be his feeling if after 3 months the actual exchange rate changes to $1 = ₹ 79?

   (c) State the major challenges before SAARC today. 3+4+3

2. (a) In India, on a given date demand of foreign currency increases by $ 150 million and supply of foreign currency increases by $ 250 million. Show graphically how the exchange rate changes. (Assume all other factors remain unchanged).

   (b) Discuss briefly the Managed float exchange rate system for determination of exchange rate.

   (c) What are the main challenges faced by a Multinational Company (MNC) while setting up enterprises abroad? 3+3+4

3. (a) Mr. A has $ 1,50,000 to speculate his position. The following quotations are available to the speculator :

   USD/ INR : 81.50, GBP/ INR : 100 and GBP/ USD : 1.20

   Identify whether the arbitrage can be possible in this situation. If so, identify in which direction the profitable arbitrage can be possible.

(b) During the financial year 2021-22, the international transactions of India are as follows :

- Export of merchandise : $ 429.2 billion
- Import of merchandise : $ 618.6 billion
- Import of services : $147 billion
- Export of services : $254.5 billion
- Unilateral transfers (F ← H) : $115.1 billion
- Unilateral transfer (H ← F) : $71.8 billion

Calculate the following :

(i) Balance of Trade

(ii) Balance of Unilateral transfers

(iii) Balance of Goods and Services

(iv) Current Account Balance.

(c) Explain the Ownership advantage in Dunning's OLI framework. 3+4+3

4. Argue with reasons whether the following statements are correct or incorrect. 2×5

(a) If depreciation of rupee against Malaysian Ringgit is expected in a big way, an Indian importer of services will show lag behaviour (Services are assumed to have been invoiced in Malaysian Ringgit).

(b) Increase in exchange rate makes domestic goods costlier to the foreign consumer.

(c) Speculation is only possible with adequate cash or an access to credit facilities.

(d) The Balance of Payments is always in equilibrium.

(e) In an international trade transaction always importer's currency is converted into exporter's currency.

Module - II

Answer *any two* questions.

5. (a) Explain with examples the role of 'Related and Supporting Industries' or 'Firm Strategy, Structure and Rivalry' in determining the national competitive advantage with reference to Michael Porter's diamond model.

(b) Draw a 2×2 matrix to obtain a 'fit' between an organization's competence and strategic capabilities versus the nation's competitiveness enhancing institutions and mechanism under globalization.

(c) State the outcomes and / or responses associated with the following scenario against the background of the 3-D Theory of Global Competitiveness Alignment :

(i) high country factors, high organisational competence and low individual talent and skill.

(ii) high country factors, low organisational competence and high individual talent and skill.

(iii) low country factors, high organisational competence and high individual talent and skill.

(d) Name two inner core elements of 10-P Model of Global Strategic Management. 3+3+(1×3)+1

6. (a) How can 'Human Resource function' or 'Research & Development function' create value for a firm operating in an international business environment?

(b) Match the following :

List A	List B
Common Marketing Regulations	Cost Driver
Lead Countries	Government Driver
Interdependence of Countries	Competitive Driver
Sourcing Efficiencies	Market Driver

(c) Examine the validity of the following statements :

(i) Horizontal differentiation refers to the choice between centralization and decentralization.

(ii) Dual decision-making responsibility is observed in firms following worldwide product divisional structure.

(iii) Global standardization strategy and transnational strategy may not be viable in the long-term, and to survive, firms need to shift toward a localization strategy or a international strategy in advance of competitors. 2+2+(2×3)

7. (a) Franchisees are lured by the impressive margins that make McDonalds franchises a guaranteed moneymaker– In the light of the statement examine the rationale of using 'franchising' as a successful entry mode in the international markets. What specific benefits does it offer? 5

(b) Examine the importance of Standardisation as an important strategy of Global Marketing. 5

Or,

Uber started in 2009, and is now available in over 60 countries and 400 cities worldwide. That's an impressive expansion, right? It even expanded overseas before its service was available in all U.S. states. Adapting to local needs and cultures has played a key role in Uber's global marketing strategy. In light of the situation stated, what are the benefits and challenges UBER may face in formulating its global marketing strategy. 5

8. (a) Write short note on ***any one*** of the following :

(i) Informal integrating mechanisms as means for achieving coordination

(ii) Stopford and Wells' International Structural Stages Model.

(b) Read the caselet and answer :

PepsiCo's International Marketing Strategy

It was 65 years after the sale of its first cola that PepsiCo started its diversification into other foods and beverages. Now the company not only sells Pepsi, its main brand, but also other items like Quaker Oats, Aquafina, Tropicana, Mountain Dew, and Lays. It also had alliances with companies like Starbucks and Lipton to come out with special coffee and tea.

PepsiCo's Marketing and Promotional Strategy

The current marketing strategy adopted by PepsiCo's Inc. is definitely one that caters to its global standing. Since Pepsi came out at a time when Coke or Coca Cola already had a head start in the market, its market strategy and business plan began with differentiation— an attempt to establish its product as one that is unique in taste and quality. This approach was successful to a great extent, and Pepsi was able to establish itself in the US markets. Later, the plan shifted to comparative marketing and later to diversification.

Pepsi Goes International – Its Global Marketing Plans

In the 1940's itself PepsiCo started branching out into the international arena. At first, it was into Latin America, the Middle East, and the Philippines. Here too, Coke had the early bird advantage. Yet the product soon gained popularity. With the Arab countries boycotting Coke, Pepsi enjoyed a monopoly for many years in the Middle East. In the 1950's Pepsi went to Europe and this included Russia, with whom there existed a Cold War by the USA. Though there were initial difficulties, getting into Russia was a major breakthrough that the company exploited. The company posted pictures of the then leaders of the United States and Russia sipping the drink. Its archrival, Coca Cola, was able to enter the Russian market more than 25 years after Pepsi's entry.

In many of the countries that Pepsi ventured into comparative advertising was prohibited and in many countries it was not an accepted concept. For example, Pepsi tried its 'Pepsi challenge' promotional gimmick in Japan. However, the country and its people were not aware of comparative advertising, and as such the campaign did more harm than good. Hence in Japan they had to break their tradition of running with the global campaign and come up with a campaign that the Japanese would identify with and was more Japanese. The 'Pepsiman' was a superhero-like figure that was devised by a Japanese person for the Japanese market. The commercial was an instant hit and helped improve Pepsi's share in the Japanese market by as much as 14%. From Japan Pepsi learned a valuable lesson— the same ad will not have the same effect everywhere. When it comes to cross-national advertising, there is always the inherent risk of alienating the people.

'Since Pepsi came out at a time when Coke or Coca Cola already had a head start in the market, its market strategy and business plan began with differentiation— an attempt to establish its product as one that is unique in taste and quality.' Explain the factors that led to the success of this approach in light of the one that Pepsico adopted. $(5\times1)+5$
