2023

COMMERCE

Paper : GE-105

(International Business)

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 primary activities for which supply of foreign exchange can be generated.

(b) Mr. X, an Indian importer bought a machinery at a price of \$1,00,000 from a USA based company and as per the contract agreement, the payment must be in terms of US dollar currency. Mr. X anticipates an appreciation in the value of dollar vis-à-vis rupee in future. If the importer has the opportunity to take lead or lag behaviour, what position will he take?

(c) Discuss briefly the 'narrow and wide band of fluctuation' exchange rate system for determination of exchange rate.

(d) What is forward covering in the foreign exchange market? 3+2+3+2

2. (a) Discuss any three disadvantages faced by MNCs vis-à-vis local firms.

(b) Briefly discuss the concept of Foreign Direct Investment (with suitable example).

(c) An operator in a foreign exchange market expects the exchange rate to become \$1 = ₹ 85.50 after 4 months from the current spot rate \$1 = ₹ 81.50. What position can the operator take to earn some profits against this expectation when the operator does not have any loan facility or adequate cash possession but 4-months forward rate is available as \$1 = ₹ 83.50? Calculate the pay-off if after 4 months, the exchange rate stands at \$1 = ₹ 85. 3+3+(3+1)

3. (a) Consider the following exchange rates for dollar :

Spot (rupee per dollar)	81.40 - 81.60
2 months forward (rupee per dollar)	82.70 - 82.80

Find which currency is at discount and to what extent.

(b) Export of Goods USD 20 million, Export of Services USD 80 million, Import of Goods USD 42 million, Import of Services USD 44 million, Balance of Unilateral Transaction (–) USD 2 million. Prepare a statement showing BOT, BOGS and CAB.

(c) Explain the Ownership advantage in Dunning's OLI framework. (1+2)+(1+2+2)+2

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

(a) Cheap factor prices are the sources of internalization advantage.

(b) Decrease in exchange rate makes domestic goods cheaper to the foreign consumer.

(c) There is no difference between arbitrage and speculation.

(d) The Balance of Payments always balances.

(e) Export is considered as direct means of doing international business.

Module-II

Answer ***any two*** questions.

5. (a) Explain the role of the 'Government' in determining the national competitive advantage with reference to Michael Porter's diamond model.

(b) State three criticisms leveled against the Porter's diamond framework.

(c) Match the following :

List A	List B
Perspective	Soft constraints
Partnership	Inner Core Element
Protectionist Policies	Outer Core Element
People-based solutions	No solution for firms' quest for global competitiveness

(d) Explain India's position against the background of the 3-D theory of Global Competitiveness Alignment from the 70's of the last century to date.

(e) Explain the term 'intra-industry trade' with an example in the context of Linder's Country Similarity theory. Explain with examples from the nations how 'cultural similarity' does affect international trade.

(f) Give an example each from Government Driver and Competitive Driver as per the George S. Yip's Globalisation Drivers Framework. 2+1½+2+1½+(1+1)+1

6. (a) How can 'Customer Service Function' create value for a firm operating in an international business environment?

(b) When can a firm adopt multi-domestic strategy in the international business? Which strategies are less viable in the long run in an international business environment?

(c) What do you mean by 'Organisational Architecture'?

(d) Examine the validity of the following statements ***(any three)*** :

(i) Vertical Differentiation refers to the formal division of the organization into subunits such as product divisions, national operations and functions.

(ii) The need for coordination (and hence integrating mechanism) is the highest for the firm adhering to international strategy.

(iii) Cultural controls foster a system of 'management by exception'.

(iv) Stopford-Wells Model suggested that a firm entering into a foreign market should start with worldwide product divisional structure. 2+(1+1)+1½+(1½×3)

7. (a) Imagine you are the marketing manager for a U.S. manufacturer of disposable diapers. Your firm is considering entering the Brazilian market. Your CEO believes the advertising message that has been effective in the United States will adequate in Brazil. Outline some possible objections to this. Your CEO also believes that the pricing decisions in Brazil can be delegated to local managers. Why might she be wrong?

(b) What are the goals of investment entry modes?

(c) Give reasons why organisations may form a strategic alliance. (3+3)+2+2

8. (a) What is meant by scale of entry? Does small scale entry prove to be beneficial for firms? Highlight the potential advantages associated with small scale entry.

(b) Write short note on 'performance ambiguity and interrelationship between interdependence, performance ambiguity and cost of control with strategies of the firm operating in international business environment'. (2+1½+1½)+5

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