## MORE QUESTIONS SOLVED

I. Very Short Answer Type Questions

Question 1. Out of international trade and international business which one is wider in scope?
Answer: International business

Question 2. What is the basic reason behind international trade?
Answer: Comparative cost advantage in production of some goods.

Question 3. Give one point of difference between licensing and franchising.
Answer: Licensing is used for goods and franchising is used for services.

Question 4. When a middleman is involved in handling export procedure, then it is called by what name?
Answer: Indirect exporting

Question 5. Licensee or franchisee pays a fee to licensor or franchisor. What is it called?
Answer: Royalty.

Question.6. Reebok orders for footballs to local manufacturers of Ludhiana and then sells it all over the world. It is an example of what?
Answer: Contract manufacturing.

Question 7. Name the country whose share is largest in India's exports and imports.
Answer: USA

Question 8. What is the share of India's exports in world exports?
Answer: 0.8%

Question 9. Which service has got dominating share in foreign trade in services?
Answer: Software and Miscellaneous

Question 10. India is_largest economy in the world.
Answer: 10th

II. Short Answer Type Questions

Question 1. Define international business.
Answer:
According to Roger Beneett, "International business involves commercial activities that cross national frontiers."
In the words of John D Daniels and Lee H Radebough, "International business is all about business transactions—private and governmental that involve two or more countries. Private companies undertake such transactions for profits; government

may or may not do the same in their transactions."
According to Michael R Czinkota, "International business consists of transactions that are devised and carried out across national borders to satisfy the objectives of the individuals, companies and organizations. These transactions take on various forms which are often correlated."

Question 2. Explain different forms of Joint Ventures.
Answer: A joint venture refers to establishing a firm which is jointly owned by two or more independent firms. It can be entered into three ways:

1. A foreign investor may buy interest in a local company
2. Local firm may acquire an interest in an existing foreign firm.
3. Both local and foreign firms jointly establish a new enterprise.

Question 3. Explain different forms of contract manufacturing.
Answer: Contract manufacturing can take three forms:

1. Getting produced certain parts of final products: In case of automobiles or purses or shoes some parts are got manufactured from foreign countries which are used for the production of final products later.
2. Assembly of components into final products: In case of electronic items, different parts are assembled at that country where they are to be sold.
3. Complete manufacture of the products: In some cases, commodities like garments a contract is given for complete manufacturing and products are sold in brand name of foreign companies.

Question 4. India embarks on the path of globalisation. Comment
Answer: Since 1991, with the announcement of New Economic Policy, 1991 India also embarks on the path of globalisation. India was facing a severe financial crisis. It approached International Monetary Fund and World Bank for help. IMF agreed to led money to India on the condition that India will introduce structural changes in its economy. As a result, India announced the policy of LPG i.e. Liberalisation, Privatisation and Globalisation. Then on 1 January, 1995 WTO was formed. India became founder member of WTO and thereby was under a compulsion to follow rules and regulations of WTO. Therefore, it had to open up its economy for rest of the world and they also allowed India to enter their markets. Though the process of reforms has somewhat slowed down, India is very much on the path of globalisation.

Question 5. What are the benefits of international trade to firms?
Answer: Given below sue benefits of international business for firms:

1. Prospects for higher profits: It creates better prospects for higher profits.
2. Increased capacity utilisation: It leads to better utilisation of capacity.
3. Prospects for growth: It creates better prospects for growth.
4. Way out to intense competition in domestic market: International business acts as an alternate when there is intense competition in domestic market.
5. Improved business vision: When a business firm acts globally, it gives it an improved business vision.

Question 6. Write a short note on India's foreign investments.
Answer: There has been a phenomenal increase in foreign capital inflow and outflow. Inward foreign investments have increased from 201 crores in 1990-91 to 151406 crores in 2003-04. India's investment in foreign countries has increased from 19 crores in 1990¬91 to 83616 crores in 2003-04.

Inward foreign investments have grown more than 750 times while India's investment abroad have increased 4927 times.
Table showing inflow and outflow of foreign capital in and from India:

| Year | Inflow | Outflow | Net |
|---|---|---|---|
| 1990-91 | 201 | 19 | 182 |
| 2000-01 | 80824 | 54080 | 26744 |
| 2001-02 | 73907 | 41987 | 31920 |
| 2002-03 | 67756 | 47658 | 22098 |
| 2003-04 | 151406 | 83616 | 67592 |

Question 7. Discuss the merits and demerits of entering into joint ventures.
Answer: Merits of Joint Venture

1. Less Expensive: It is.financially less expensive as local producer also makes some contribution in equity capital. Half of the capital is contributed by local producer. It reduces the burden for foreign investor.
2. Beneficial for projects requiring Large Scale Investment:It is beneficial for projects requiring large capital investments like construction of metro. In such projects it is generally difficult for a single investor to invest.
3. Knowledge about host country: Local producers provide knowledge about host country. It helps the foreign investor to establish its foot in host country.
4. Less risky: Risk gets reduced by involving local manufacturer. First, he makes 50% equity and thereby shares losses and other risks. Secondly, he has an understanding of taste and preferences of customers in host country, laws and culture of host country.

Disadvantages of Joint Venture

1. Sharing of Technology: In joint venture, foreign firm shares technology with the local producer. It is risky. He may start a business of his own once he gets acquainted with the technology.
    1. Conflicts: There may be conflicts in managerial decisions as there is dual ownership arrangement.

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