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| *Indicate the answer choice that best completes the statement or answers the question.* |

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| 1. Vertiaplume, a drug manufacturing company, exports its products to more than 15 countries around the world. Regardless of reduced sales in one of these countries, Vertiaplume is able to maintain its overall profits. In the given scenario, which of the following is a reason behind Vertiaplume's ability to maintain its overall profits?   |  |  |  | | --- | --- | --- | |  | a. | Access to factors of production | |  | b. | Ease of storage of goods | |  | c. | Inflow of innovation | |  | d. | Reduced risk | |

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| 2. Unless they face major trade barriers, the industries in any country tend to produce products for which they have a \_\_\_\_\_, which means that they tend to turn out those goods that have the lowest opportunity cost compared to other countries.   |  |  |  | | --- | --- | --- | |  | a. | comparative advantage | |  | b. | balance of payments surplus | |  | c. | positive balance | |  | d. | trade surplus | |

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| 3. Luchen Modo, a software development firm in Asia, launched a new software for smartphones that allowed users to remotely control certain functions and features of their vehicles, such as ignition, windshields, and headlights. The success of this technology prompted other companies across the world to produce similar software. In this scenario, which of the following is most likely to have influenced other companies to produce similar software?   |  |  |  | | --- | --- | --- | |  | a. | Establishment of new industries | |  | b. | Inflow of innovation | |  | c. | Access to factors of production | |  | d. | Reduced risk | |

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| 4. In the context of global trade, which of the following statements is true of balance of payments?   |  |  |  | | --- | --- | --- | |  | a. | It includes foreign borrowing and lending. | |  | b. | Its surplus indicates more money flowing out than in. | |  | c. | It excludes overseas investments. | |  | d. | Its deficit indicates more money flowing in than out. | |

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| 5. Wichasha, an African country, exports barley and cotton worth $100 million to Illema, a European country, and it imports sugarcane worth $25 million from Illema. As such, the total value of Wichasha's exports is higher than the total value of its imports. This difference between the value of Wichasha's exports and imports is known as \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | a comparative advantage | |  | b. | the balance of payments | |  | c. | an absolute advantage | |  | d. | the balance of trade | |

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| 6. Consider an exchange rate situation in which 1 Indian rupee equals 0.40 Japanese yen. Given this information, which of the following statements is true?   |  |  |  | | --- | --- | --- | |  | a. | The cost of operating an Indian firm in Japan is lower. | |  | b. | An Indian tourist in Japan can buy more goods and services in Japan. | |  | c. | A Japanese tourist can buy more goods and services in India. | |  | d. | The cost of operating a Japanese firm in India is lower. | |

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| 7. CuberTech, an American electronics company, set up its production facilities in Chuaga, an Asian country, because the workers in Chuaga work for about one-third the pay of American workers. This substantially lowered CuberTech's cost of production. This scenario is an example of \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | direct investment | |  | b. | a joint venture | |  | c. | foreign outsourcing | |  | d. | foreign franchising | |

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| 8. A \_\_\_\_\_ is formed when two or more companies share resources, risks, and profits without actually merging, to pursue specific opportunities.   |  |  |  | | --- | --- | --- | |  | a. | joint venture | |  | b. | limited liability partnership | |  | c. | sole proprietorship | |  | d. | limited liability company | |

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| 9. In the context of the strategies for reaching global markets, which of the following is a key risk of foreign outsourcing?   |  |  |  | | --- | --- | --- | |  | a. | Increase in the costs of production | |  | b. | Exclusion of the brand name of the outsourcer | |  | c. | Involvement of social responsibility | |  | d. | Inability to lower labor wages | |

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| 10. In the context of foreign direct investment, a \_\_\_\_\_ is a voluntary agreement under which two or more people act as co-owners of a business for profit.   |  |  |  | | --- | --- | --- | |  | a. | franchisee | |  | b. | partnership | |  | c. | sole proprietorship | |  | d. | golden parachute | |

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| 11. Uniesia, an Asian company, wants to set up a production facility in Maurinia, an African country, because of the low labor costs in the country. However, Uniesia is unable to do so because of the situation of constant civil unrest in Maurinia. In the given scenario, Uniesia is most likely facing the barrier of \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | economic differences | |  | b. | political differences | |  | c. | sociocultural differences | |  | d. | ethical differences | |

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| 12. In the context of international trade, which of the following companies is facing the barrier of legal differences?   |  |  |  | | --- | --- | --- | |  | a. | An Asian company that can only import a limited amount of crude oil from an Arab country because of international trade restrictions | |  | b. | A European company that sells products that cater to specific demographics of foreign countries | |  | c. | A North American company that takes contracts from overseas manufacturers to produce custom products at a low price | |  | d. | An African company that introduces a new clothing line in an Asian country that reflects the latter's cultural and traditional values | |

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| 13. In the context of barriers to international trade, \_\_\_\_\_ include differences among countries in language, attitudes, and values.   |  |  |  | | --- | --- | --- | |  | a. | economic differences | |  | b. | sociocultural differences | |  | c. | political differences | |  | d. | legal differences | |

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| 14. \_\_\_\_\_ refers to national policies designed to restrict international trade, usually with the goal of protecting domestic businesses.   |  |  |  | | --- | --- | --- | |  | a. | Protectionism | |  | b. | Developmentalism | |  | c. | Mercantilism | |  | d. | Neorealism | |

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| 15. To achieve its basic mission of promoting international economic cooperation and stable growth, the International Monetary Fund (IMF):   |  |  |  | | --- | --- | --- | |  | a. | increases jobs from foreign companies. | |  | b. | lends money to member nations. | |  | c. | monitors provisions of the GATT agreements. | |  | d. | protects domestic jobs in key industries. | |

**Answer Key**

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| 1. d |

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| 2. a |

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| 3. b |

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| 4. a |

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| 5. d |

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| 6. c |

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| 7. a |

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| 8. a |

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| 9. c |

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| 10. b |

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| 11. b |

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| 12. a |

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| 13. b |

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| 14. a |

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| 15. b |