



Uva Wellassa University, Sri Lanka  
Faculty of Science and Technology  
Year 1<sup>st</sup> Semester Examination – February/March 2012



International Business - IIT-351-2 (Repeat)

Time: Two (02) Hours

**Instructions to candidates:**

No. of pages : Three (03)  
No. of questions : Six (06)  
Marks allocated : 100 Marks  
Answer any Four (04) questions.

Index number:

1. "Investors are increasingly turning to the developing world more for its large and rapidly growing consumer markets than for its lower-cost labor. China remains the top-ranked destination by foreign investors, a title it has held since 2002, followed by India and Brazil".

*-A.T. Kearney FDI Confidence Index-*

- i. Define the term "Foreign Direct Investments (FDIs)". (10 marks)  
ii. Explain the strategic importance of FDIs for an economy. (15 marks)

2. "Political will to resist creeping protectionism appears to be under increasing pressure. Commitments made by G20 members to roll back restrictions have not been met. In fact, the number of export restrictions has continued to increase."

*-World Economic Situation and Prospects 2012, United Nations-*

**You are required to:**

- i. Define the concept of protectionism. (05 marks)  
ii. Briefly explain the protectionism measures of a government. (08 marks)  
iii. Explain to which extent the above situation would be a favourable condition for the international business activities of a country. (12 marks)

- 3.
- i. Define the concept "purchasing power parity". (05 marks)
  - ii. Explain how exchange rates will influence the business operations. (08 marks)
  - iii. Explain three (03) floating exchange rate systems and fixed exchange rate systems. (12 marks)
4. Assume that you are the newly recruited Manager for international operations of Unique Company. Recently the company has decided to expand its business to international level via a direct investment. General Manager/Marketing asks you to disseminate the board of directors with strategic nature of international market selection.

**You are required to:**

Explain how you will elaborate the following points when you will disseminate the Board of Directors.

- Factors that the company should consider in determining the market entry strategy (7½marks)
  - Factors that the company should specifically consider in making the "Direct investment decision" (7½ marks)
  - Available alternatives of entry methods (10 marks)
5. "Chinese gray-market handset suppliers have become so successful that they are grabbing share from major international handset original equipment manufacturers. By 2013, the gray market will grow to 176 million units".

*-Kevin Wang-*

- i. Define the term "Parallel markets". (05 marks)
- ii. Discuss the drivers of price escalation. (10 marks)
- iii. Explain how a company can control price escalation. (10 marks)

6.

- i. Explain how to design an effective exporting strategy. (05 marks)
- ii. What are the possible pitfalls encountered by an international businessman in pursuing an exporting strategy? (10 marks)
- iii. Briefly explain the role of the following documents in international business.
  - a. a pro forma invoice
  - b. a commercial invoice
  - c. a bill of lading
  - d. a consular invoice
  - e. a certificate of origin

(10 marks)

