International Business

Standard difficulty · 20 questions · 40 marks · Time: 37 minutes

Name: _____ Date: _____ Score: ____ / 40

Show your working for Sections B and C. Answers are on the last page — try every question first!

Section A — Choose the correct answer — 8 × 1 = 8 marks

1. Manufacturing and trade across national boundaries is:
   (a) retail trade **(b)** domestic business
   (c) internal trade **(d)** international business

2. What is meant by “franchising”?
   (a) licensing a service business model and brand
   (b) a foreign firm fully owned by the parent company
   (c) a shipping company’s receipt that is also title to the goods
   (d) a bank’s guarantee to pay the exporter

3. A firm buys all the shares of an established company abroad. Which mode of entry is this?
   (a) exporting **(b)** franchising
   (c) importing **(d)** wholly owned subsidiary

4. Which document lists the packages and their contents?
   (a) certificate of origin **(b)** letter of credit
   (c) packing list **(d)** bill of entry

5. A country’s exports are ₹7,400 crore and its imports ₹9,900 crore. What is its balance of trade?
   (a) a surplus of ₹5,000 crore **(b)** a deficit of ₹2,500 crore
   (c) a surplus of ₹2,500 crore **(d)** a surplus of ₹17,300 crore

6. A firm licenses its patented process to a foreign firm for a royalty of 2% of sales. The licensee’s sales are ₹4,800,000. What royalty does the firm earn?
   (a) ₹96,000 **(b)** ₹4,704,000 **(c)** ₹9,600,000 **(d)** ₹960,000

7. Suppose 1 US dollar = ₹74. An exporter receives 17,000 dollars. How many rupees is this?
   (a) ₹1,275,000 **(b)** ₹17,074 **(c)** ₹1,258,000 **(d)** ₹125,800

8. Which of these is a step in the import procedure?
   (a) receipt of order **(b)** pre-shipment inspection
   (c) obtaining a letter of credit **(d)** preparation of invoice

Section B — Short answer — 8 × 2 = 16 marks

9. Why is international business different from domestic business?

10. Explain each term: (a) bill of lading (b) franchising

11. Name the mode of entry in each case. (a) A coffee shop brand lets a foreign firm use its name and recipes for a fee. (b) A firm buys all the shares of an established company abroad.

12. Name the document. (a) It gives the price and terms in reply to an enquiry. (b) It is the main document for customs clearance of exports.

13. Put these steps of the export procedure in order: (a) preparation of invoice (b) securing payment (c) reservation of shipping space

14. Put these steps of the import procedure in order: (a) trade enquiry (b) procurement of import licence (c) obtaining foreign exchange

15. A country exports goods worth ₹13,000 crore and imports goods worth ₹4,600 crore. Find the balance of trade. Is it a surplus or a deficit?

16. Suppose 1 US dollar = ₹85. An exporter sells 900 shirts at 19 dollars each. What does she earn in rupees?

Section C — Word problems — 4 × 4 = 16 marks

17. Explain the modes of entry into international business.

18. Match each with its meaning: (a) bill of lading (b) wholly owned subsidiary (c) franchising. Choose from: a shipping company's receipt that is also title to the goods; a foreign firm fully owned by the parent company; licensing a service business model and brand.

19. Read about Tarang Motors Ltd. (a) A firm sets up its own fully owned company in another country. (b) A firm lets a foreign company use its patented process for a royalty. (c) A toy firm gets toys made by a factory abroad to its own design and sells them under its name. Identify the mode of entry in each part and explain it briefly.

20. Brightway Toys Ltd lets a foreign firm use its patented dyeing process, for a royalty of 4% on sales. The foreign firm's sales this year are ₹5,600,000. (a) Name this mode of entry. (b) Find the royalty. (c) Give one advantage and one limitation of this mode.

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Answer key

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Q	Answer	Working
1	**(d) international business**	—
2	**(a) licensing a service business model and brand**	—
3	**(d) wholly owned subsidiary**	—
4	**(c) packing list**	—
5	**(b) a deficit of ₹2,500 crore**	7,400 − 9,900
6	**(a) ₹96,000**	4,800,000 × 2/100
7	**(c) ₹1,258,000**	17,000 × 74
8	**(c) obtaining a letter of credit**	—
9	**Buyers and sellers are of different nationalities, factors are less mobile, customers differ, and currencies, laws and business systems differ.**	—
10	**(a) a shipping company's receipt that is also title to the goods (b) licensing a service business model and brand**	—
11	**(a) franchising (b) wholly owned subsidiary**	—
12	**(a) proforma invoice (b) shipping bill**	—
13	**c, a, b**	reservation of shipping space → preparation of invoice → securing payment
14	**a, b, c**	trade enquiry → procurement of import licence → obtaining foreign exchange
15	**₹8,400 crore; surplus**	13,000 − 4,600
16	**₹1,453,500**	900 × 19 × 85
17	**Exporting and importing, contract manufacturing, licensing and franchising, joint ventures, and wholly owned subsidiaries; they differ in investment, control and risk.**	—
18	**(a) a shipping company's receipt that is also title to the goods (b) a foreign firm fully owned by the parent company (c) licensing a service business model and brand**	—
19	**(a) wholly owned subsidiary: foreign firm fully owned by the parent (b) licensing: use of a patent or trademark for a royalty (c) contract**	—

Q	Answer	Working
	manufacturing: goods made abroad to the firm's specifications	
20	**(a) licensing (b) ₹224,000 (c) e.g. advantage: little investment or risk; limitation: the licensee may become a competitor or learn trade secrets**	5,600,000 × 4/100

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