

Test Syllabus, for student use only, do not redistribute or post online.

International Business: International Business: Environments and Operations, 15e, Global Edition (Daniels et al.): Chapter 14: Modes of Trading Internationally

Multiple choice: circle the one best answer according to the textbook:

- 1) Which of the following transactions refers to the sale of goods or services produced by a company based in one country to customers that reside in a different country?
 - A) importing
 - B) countertrading
 - C) exporting
 - D) freight forwarding
- 2) Small and medium-size enterprises, such as SpinCent as seen in the opening case for chapter 14, account for _____ of all U.S. exporters.
 - A) 38%
 - B) 54%
 - C) 79%
 - D) 98%
- 3) Which of the following best explains why SpinCent decided to export?
 - A) growth opportunities in Asia
 - B) labor demands in the U.S.
 - C) declining tariffs in the EU
 - D) promising market locations in South America
- 4) Iverson Products is a U.S. firm that is considering expanding internationally by exporting. Which of the following is the LEAST likely benefit for Iverson?
 - A) boosting marketplace flexibility
 - B) improving economies of scale
 - C) facing lower business risk compared to other foreign market entry options
 - D) requiring fairly few resources
- 5) Which of the following transactions refers to the purchase of goods or services produced by a company based in one country from sellers that reside in a different country?
 - A) importing
 - B) countertrading
 - C) exporting
 - D) freight forwarding
- 6) Which of the following is NOT an example of a service export?
 - A) a management firm providing advice to a foreign client
 - B) an investment bank arranging financing for a foreign firm
 - C) a coffee chain opening a new store in a foreign country
 - D) an engineering firm building roads in a foreign country
- 7) This spring break you are planning to leave the U.S. and visit London, where you will stay in a hotel for 10 days. The London hotel will be performing a(n) _____.
 - A) indirect merchandise export
 - B) merchandise export
 - C) service export
 - D) service import

- 8) The benefits of retaining a core competency within a company and purposefully threading that core competency through the value chain are referred to as _____ advantages.
- A) internalization
 - B) domestic
 - C) location
 - D) ownership
- 9) Companies are likely to export products abroad in all of the following situations EXCEPT which one?
- A) when their average cost per unit of home country production declines substantially by increasing output
 - B) when they want to use the riskiest but most profitable method to engage international trade
 - C) when they aim to increase degree of market diversification
 - D) when they are new to international business
- 10) Boyce Dynamics, a U.S. maker of LED flashlights, fills unsolicited orders from foreign buyers. It has not proactively investigated international trade options. Boyce Dynamics is best categorized as a(n) _____.
- A) regular exporter
 - B) non-exporter
 - C) occasional exporter
 - D) domestic exporter
- 11) Which of the following is usually NOT a factor that triggers companies to look to exports to boost total sales?
- A) maturity of the domestic market
 - B) potential to leverage core competencies in foreign markets
 - C) social needs in developing countries
 - D) response to the market entry of a foreign rival
- 13) The probability that a business is engaged in exporting tends to _____.
- A) decrease with the size of the firm
 - B) increase with the product life cycle
 - C) decrease with the product life cycle
 - D) increase with the size of the firm
- 14) Barton Accessories has two retail stores and one production facility where the firm's line of leather belts and purses are assembled. Barton employs 430 people and generates nearly \$1 million in revenue each year through domestic and international sales. Which term best describes the status of Barton?
- A) SME
 - B) MNE
 - C) MNC
 - D) FDI
- 15) The _____ of a firm is the share of its total output that is exported.
- A) freight forward
 - B) incremental export
 - C) export intensity
 - D) intermodal export

- 16) Which of the following statements about small and medium-sized enterprises (SMEs) is true?
- A) SMEs are steadily reducing their export intensity ratios.
 - B) SMEs make up the majority of all U.S. exporters.
 - C) SMEs are the source of more than half of the monetary value of U.S. exports.
 - D) SMEs that export goods have fewer than 20 employees.
- 17) According to the research described in your text, which of the following is among the factors that would increase a firm's probability of exporting?
- A) low domestic productivity
 - B) high domestic labor costs
 - C) high level of operational efficiency
 - D) high R & D demands
- 18) Vantex Fabrics is a U.S. firm that designs, manufactures, and sells high-quality fabrics used for home decor. Executives at the firm believe that Vantex could significantly increase its profitability by exporting fabrics to foreign markets. The vice president of marketing is in favor of exporting to England, while the vice president of finance asserts that the firm would benefit most from exporting to China. Which of the following, if true, best supports the vice president of marketing's suggestion?
- A) Incremental internalization reduces the exporting risks facing Vantex.
 - B) Rapid internationalization decreases the likelihood of failure for Vantex.
 - C) Vantex plans to diversify its product offerings within the next ten years.
 - D) Vantex employs 450 people and will likely develop worldwide operations within 12 months.
- 19) Vandelay Designs is a small firm based in Boston that makes and sells scrapbooking products through its retail store and Web site. Many of Vandelay's first sales were made to customers located in Canada, England, and Japan. Vandelay Designs would best be identified as a(n) _____.
- A) incremental exporter
 - B) occasional exporter
 - C) born global
 - D) geo-expo
- 20) An Australian company makes athletic wear for women, men, and adults. After several years of successfully exporting its products to the U.K. and the U.S., the company began exporting to Japan. This is an example of _____.
- A) a born-global company
 - B) a location advantage
 - C) third-party exporting
 - D) incremental internationalization
- 21) The perspective of _____ holds that as a company gains experience, resources, and confidence, it progressively increases its scope of countries to which it exports.
- A) serendipity
 - B) export management
 - C) the born-global theory
 - D) incremental internalization
- 22) Which of the following best describes the concept of serendipity in exporting?
- A) modifying products to meet cultural preferences
 - B) initiating global sales through e-commerce methods
 - C) relying too much on exports when domestic sales suddenly increase
 - D) opportunistically responding to unsolicited orders from foreign customers

- 24) What is the most likely reason that firms avoid aggressively seeking export opportunities?
- A) Exporting is an activity best left to large, resource rich firms.
 - B) Firms are unaware of opportunities in foreign markets.
 - C) Foreign customers cannot easily communicate their needs.
 - D) Firms are reluctant to change their established business practices.
- 29) The incremental internationalization view of exporting holds that companies first target countries that are _____ their home market.
- A) different from
 - B) similar to
 - C) smaller than
 - D) larger than
- 32) A broker or other import consultant can help an importer minimize import duties by _____.
- A) bypassing duty rebates available through drawback provisions
 - B) incurring duties by using non-bonded warehouses and foreign trade zones
 - C) maximizing liability by improperly marking an import's country of origin
 - D) valuing products in such a way that they qualify for more favorable duty treatment
- 34) All of the following are primary duties of the Bureau of Customs and Border Protection
- 35) In conducting _____, a business sells goods directly to or through an independent domestic intermediary in the exporter's home country that exports the products to foreign markets.
- A) direct exporting
 - B) global marketing
 - C) strategic planning
 - D) indirect exporting
- 38) Meade Clocks has hired an intermediary to manage its export activity. Meade should most likely expect _____.
- A) lower profit margins
 - B) greater control over global sales
 - C) more responsibility for customer satisfaction
 - D) frequent misunderstandings about trade regulations
- 44) An exporter that implements a(n) _____ strategy does so with the intent to develop its own international marketing capability.
- A) indirect selling
 - B) freight forwarding
 - C) direct exporting
 - D) export intermediation
- 46) Federal, state, and local governments that recognize the benefits of international trade, actively aid the efforts of potential and active exporters and _____.
- A) ensure the quality of exported products
 - B) establish barriers to punish foreign rivals
 - C) collect a fee for each successful export sale
 - D) protect the interests of struggling importers
- 48) A freight forwarder performs which of the following functions?
- A) arranging the fastest and cheapest transportation of products to and from foreign suppliers
 - B) taking title to the goods it exports and imports from country to country
 - C) acting as a sales representative in a foreign market
 - D) valuing products that qualify for favorable tariffs

49) Which of the following types of agents moves international cargo, facilitates shipment tracking, and handles product returns for exporters and importers?

- A) trade intermediaries
- B) third party logistics
- C) customs brokers
- D) freight forwarders

53) _____ refers to any one of several different arrangements that business parties negotiate so that they can trade goods and services with limited or no use of currency.

- A) Factoring
- B) Offset
- C) Countertrade
- D) Barter

55) Companies can anticipate conducting countertrade with businesses in countries that _____.

- A) experience widespread economic problems
- B) command strong negotiation positions
- C) have sufficient access to cash
- D) weakly regulate international trade

56) Procter & Gamble exchanges cleaning products for machinery with Russia and Hungary. The nature of this transaction indicates that Procter & Gamble is engaging in _____.

- A) third-party logistics
- B) freight forwarding
- C) countertrade

SHORT ANSWER:

91) What are the unique characteristics of service exports and service imports?

93) What difficulties of exporting can be minimized by customs brokers?

95) Discuss the various ways a broker or other import consultant can help an importer minimize import duties.

96) What role does the customs agency of a government play?

Answer:

99) What is a born global? How has technology triggered the growth of born globals?