MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) All of the following are governmental factors that firms must consider when selecting an FDI location except _______.
   A) bureaucracy
   B) political stability
   C) transparency
   D) market proximity

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

2) International portfolio investment refers to a firm’s direct control of foreign operations and is an equity based method of foreign market entry.

3) When Home Depot entered the Mexican market by purchasing Home Mart, a domestic store chain, the firm was making a Greenfield investment.

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

4) A consortium can best be defined as which of the following?
   A) two partners forming a new legal entity
   B) an equity venture to consolidate the value chain
   C) a project-based, non-equity licensing venture
   D) multiple partners participating on a large-scale project

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

5) Firms that engage in FDI avoid problematic trade barriers because the physical presence of a foreign firm earns it the same privileges as a local firm.

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

6) Collaborative ventures are especially beneficial to SMEs for which of the following reasons?
   A) increased amount of capital
   B) larger and newer facilities
   C) more advanced technology
   D) better trained employees

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

7) Increasingly, Chinese firms are entering the United States by purchasing U.S. firms via foreign direct investment.

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

8) Which of the following is often a motive of firms in the mining industry to enter new foreign markets?
   A) low minimum wages
   B) increase refining capacity
   C) access natural resources
   D) skilled pools of labor
9) At which level of the value chain are international collaborative ventures most often utilized?  
A) distribution  
B) manufacturing  
C) sourcing  
D) customer service

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

10) Normativism refers to the belief that a firm should conform to the prevailing ethics of a country in which it does business, even if the ethics are not similar to those upheld by the firm.

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

11) Which of the following is a disadvantage of equity joint ventures?  
A) imbalanced relationship  
B) termination difficulties  
C) vague contractual partnership  
D) cultural risk issues

12) Governments encourage inward FDI through incentives for all of the following reasons except  
A) increase tax revenue  
B) provide local capital  
C) meet customer demands  
D) improve employment rate

13) All of the following are typical reasons firms enter equity joint ventures except _______.
A) A focal firm desires immediate access to customers in a foreign market.  
B) A foreign firm wants assistance navigating the host country’s government and culture.  
C) A local partner lacks the necessary capital to take advantage of an opportunity.  
D) A local firm wants an advantage when expanding its business abroad.

International Business Class (Scenario)

Students in Professor Manning’s international business class have been assigned the task of explaining the different types of FDI. Professor Manning assigned each student to a group with four other classmates. The groups are to research their assigned topic and present their information to the class using examples of real-world firms for illustration. Jessica Hanson is the leader of Group A; Manu Patel is the leader of Group B; and Mario Witherspoon is the leader of Group C.

14) During his presentation, Manu describes how a large U.S. retailer entered the Mexican market by purchasing the stores and assets of a Mexican retailer. Which of the following topics was most likely assigned to Group B?  
A) equity participation  
B) acquisition  
C) merger  
D) collaborative venture

15) Takeovers by foreign firms most likely raise concerns about which of the following?  
A) foreign immigrants  
B) the new owners may decrease wages  
C) interest rates  
D) national security

16) Which of the following is a key reason that a focal firm would most likely enter a collaborative venture with a foreign firm?  
A) if the focal firm agrees to a long term legal contract that is mutually beneficial  
B) when the focal firm needs to raise additional capital for research and development  
C) when the foreign firm can fill an important gap in the focal firm’s value chain  
D) if the foreign firm develops a product or service for a niche market
17) All of the following are most likely potential benefits of mergers except _______.
   A) increased efficiency and economies of scale
   B) wider range of available products and services
   C) integration of two unique corporate cultures
   D) sharing of resources between participating firms

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

18) Joint ventures are a fundamental method of entering a foreign market with enough capital and resources to ensure the success of participating firms.

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

19) Which of the following is the most important question for managers to consider when determining an FDI location?
   A) When would the firm be able to begin interviewing potential employees?
   B) What is the likelihood of a natural disaster occurring in this country?
   C) What is the extent of regional integration and free trade in this nation?
   D) In what area of the country should the firm build a manufacturing facility?

20) Which of the following best explains why some service industry firms most likely enter foreign markets through FDI?
   A) The service of the firm requires tough intellectual property laws.
   B) The service offered by the firm requires personal interfacing with customers.
   C) The firm's service cannot be duplicated by a foreign based franchisor.
   D) The firm's service is not successful domestically, so globalization is required.

21) Firms that anticipate close public scrutiny of their foreign operations often avoid potential difficulties by doing which of the following?
   A) hiring additional local personnel
   B) diversifying their corporate activities
   C) locating in culturally similar countries
   D) investing in international securities

22) Which of the following MNEs has the most foreign assets?
   A) General Electric
   B) Danone
   C) Tesco
   D) Hewlett Packard

Ciao Manufacturing Location (Scenario)
The Italian car company, Ciao, has made plans to expand its operations by building a manufacturing facility in a foreign market. Ciao has been very successful selling its small, economical, and stylish cars in the Italy and Spain, and firm managers believe that the Ciao cars will be equally profitable in other markets. Ciao managers are trying to determine whether Canada or Russia would be the best location for a new automobile manufacturing facility.

23) Which of the following should be considered in the decision regarding where to build a new Ciao plant?
   A) How politically stable are the governments of Russia and Canada?
   B) How will Ciao managers handle the language barriers in foreign markets?
   C) How many Ciao cars are sold in Italy and Spain each year?
   D) What U.S. automakers are the biggest competitors of Ciao?
TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

24) New markets, new resources, and improved efficiency are the three main motives for firms to enter foreign markets through FDI.  

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

25) Successful international retailers most likely have which of the following? 
   A) a highly developed business plan and an understanding of the target market 
   B) solid capital assets and a minimal cost of foreign and domestic operations 
   C) a structured organizational system and the support of local governments 
   D) bilingual managers and salespeople and a sophisticated marketing campaign