University of Central Florida (UCF) GEB3375 Intro to International Business Practice Exam 2 (Sample)

Study Guide

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Questions

1. What is a potential disadvantage of a domestic strategy?
    A. Enhanced customization for local markets
    B. Potential missed opportunities in international markets
    C. Improved understanding of global market trends
    D. Increased competitive advantage globally

2. Which of the following statements correctly describes external factors in a business environment?
    A. They are entirely controlled by the company
    B. They include market trends and regulations
    C. They are irrelevant to business strategies
    D. They primarily involve employee relations

3. What type of economy exists parallel to the official economy but is not reported to the government?
    A. Black market
    B. Shadow economy
    C. Underground economy
    D. Formal economy

4. Which type of knowledge can be easily communicated to others?
    A. Tacit knowledge
    B. Unknown knowledge
    C. Implied knowledge
    D. Explicit knowledge

5. What is the definition of tacit knowledge?
    A. Knowledge that is easy to express and communicate
    B. Knowledge that is difficult to articulate and transmit
    C. Knowledge that is documented and explicit
    D. Knowledge that is commonly understood

6. What is the term for the movement of a nation's population from rural regions to urban centers?

   A. Rural to urban shift

   B. Urban to rural shift

   C. Global to urban shift

   D. Rural to metropolitan shift

7. What is meant by the term 'business environment'?

   A. The local community surrounding a business

   B. The combination of internal and external factors affecting a company

   C. The physical location of a business

   D. The type of industry a business belongs to

8. What effect do tariffs generally have on competition in a market?

   A. They stimulate competition by lowering prices.

   B. They promote competition by reducing production costs.

   C. They can protect local industries by increasing import prices.

   D. They have no effect on competition.

9. What does a conventional peg involve regarding currency value?

   A. It is entirely free to fluctuate

   B. It is fixed to another currency

   C. It is periodically adjusted by the government

   D. It is determined purely by market supply and demand

10. What is the typical goal of trade negotiations between countries?

   A. To increase quotas on exports

   B. To achieve mutually beneficial trade terms

   C. To impose higher tariffs on foreign goods

   D. To limit foreign direct investment

Answers

1. B
2. B
3. C
4. D
5. B
6. A
7. B
8. C
9. B
10. B

Explanations

1. What is a potential disadvantage of a domestic strategy?

A. Enhanced customization for local markets

B. Potential missed opportunities in international markets

C. Improved understanding of global market trends

D. Increased competitive advantage globally

A potential disadvantage of a domestic strategy is the possibility of missed opportunities in international markets. Focusing solely on domestic operations can lead businesses to overlook lucrative markets and customer segments outside their home country. By not exploring international avenues, a company may lose potential sales, partnerships, and the benefits of diversifying its market presence. This can be particularly detrimental in a globalized economy where consumer preferences and demand are becoming increasingly interconnected. For example, a successful product in a domestic market might find a larger audience abroad, yet a company that does not pursue international expansion might restrict its growth and limit its revenue potential. Additionally, global markets can offer competitive advantages such as cost reductions through economies of scale, access to new talent, and the ability to mitigate risks through diversification. Therefore, while a domestic strategy may yield certain strengths, the inability to engage with international markets is a significant drawback.

2. Which of the following statements correctly describes external factors in a business environment?

A. They are entirely controlled by the company

B. They include market trends and regulations

C. They are irrelevant to business strategies

D. They primarily involve employee relations

The statement that external factors in a business environment include market trends and regulations accurately captures the essence of what external factors encompass. External factors are those influences that originate outside the organization and can significantly impact its operations and strategies. Market trends refer to the general direction in which a market is moving, shaped by consumer behaviors, preferences, and competitive dynamics. Regulations encompass the laws and guidelines that businesses must adhere to, which can affect everything from operational capabilities to market entry strategies. By recognizing the importance of these external factors, businesses can better position themselves to respond to changes in the market, adhere to legal requirements, and ultimately achieve their strategic goals. The other options do not effectively reflect the nature of external factors. They may suggest misinterpretations—like proposing that external factors are entirely controlled by the company, which overlooks the inherent unpredictability of market dynamics and regulatory environments. Recognizing the influence of external factors is critical for businesses aiming to adapt and thrive in competitive landscapes.

3. What type of economy exists parallel to the official economy but is not reported to the government?

A. Black market

B. Shadow economy

C. Underground economy

D. Formal economy

The term that describes an economy existing alongside the official economy but not reported to the government is the underground economy. This encompasses all economic activities that are not captured by official statistics and regulatory frameworks, including unreported income, illegal trade, and informal labor. The underground economy can thrive for various reasons, such as the desire to avoid taxation, evade government regulation, or operate outside legal restrictions. By not being accounted for in official economic measures, it presents challenges for policymakers and economists trying to gauge the true state of the economy. Understanding the underground economy is crucial as it has significant implications for economic policy, taxation, and social services. It demonstrates how certain segments of economic activity can elude government scrutiny, emphasizing the need for effective regulatory and compliance measures.

4. Which type of knowledge can be easily communicated to others?

A. Tacit knowledge

B. Unknown knowledge

C. Implied knowledge

D. Explicit knowledge

Explicit knowledge refers to information that can be easily articulated, documented, and shared with others. This kind of knowledge is typically structured and can be readily communicated through written documents, manuals, procedures, and databases. Examples include facts, formulas, and specifications, which can be easily passed from one person to another or stored for future use. The reason explicit knowledge is valued in both individual learning and organizational contexts is that it provides clear instructions and foundational information that can facilitate training and collaboration. This allows teams to work more efficiently because everyone has access to the same set of information. In contrast, tacit knowledge, which is personal, context-specific, and more challenging to formalize, involves insights and intuitions based on individual experiences. Unknown knowledge refers to what we do not know, while implied knowledge is subjective and may rely on personal interpretation, making it less straightforward to share.

5. What is the definition of tacit knowledge?

A. Knowledge that is easy to express and communicate

B. Knowledge that is difficult to articulate and transmit

C. Knowledge that is documented and explicit

D. Knowledge that is commonly understood

Tacit knowledge is defined as knowledge that is difficult to articulate and transmit. This type of knowledge is often personal and context-specific, arising from individual experiences and insights. For example, skills gained through practice, such as riding a bicycle or playing a musical instrument, serve as prime examples of tacit knowledge because they are acquired over time and are challenging to convey through formal instructions or documentation. In contrast, the incorrect options either suggest that knowledge can be easily communicated or is well-documented, which characterizes explicit knowledge rather than tacit knowledge. Explicit knowledge is transferable and can be readily shared through writing or formal instruction, whereas tacit knowledge resides more in the individual's experiences and may require direct experience or observation to be understood fully.

6. What is the term for the movement of a nation's population from rural regions to urban centers?

A. Rural to urban shift

B. Urban to rural shift

C. Global to urban shift

D. Rural to metropolitan shift

The term for the movement of a nation's population from rural regions to urban centers is often referred to as a "rural to urban shift." This phenomenon typically occurs as individuals and families seek better economic opportunities, access to education, healthcare, and improved living standards that urban areas generally offer. Urban centers tend to provide a concentration of job opportunities, infrastructure, and services that are often less available in rural areas. As a result, a significant portion of the population migrates to cities, leading to urbanization—the growth of urban areas while rural populations decline. This shift is a critical aspect of demographic change and can significantly impact both the social and economic fabric of a country. Understanding this term is essential for analyzing trends in global demographics, urban planning, and economic development within the context of international business, as it influences market dynamics and consumer behavior in urban areas.

7. What is meant by the term 'business environment'?

A. The local community surrounding a business

B. The combination of internal and external factors affecting a company

C. The physical location of a business

D. The type of industry a business belongs to

The term 'business environment' refers to the combination of internal and external factors affecting a company. This encompasses a wide range of influences that can impact a business's operations, decisions, and overall performance. Internal factors include elements such as company culture, organization structure, resources, and processes that are within the control of the business. External factors include economic conditions, regulations, competition, societal influences, and technological advances, which are outside the direct control of the business but nonetheless significantly affect its strategic choices and opportunities. Understanding the business environment is crucial for effective decision-making and strategic planning. By analyzing both internal capabilities and external challenges or opportunities, businesses can develop strategies that leverage their strengths and mitigate potential risks. This holistic view is essential for businesses looking to succeed in complex and dynamic marketplaces.

8. What effect do tariffs generally have on competition in a market?

A. They stimulate competition by lowering prices.

B. They promote competition by reducing production costs.

C. They can protect local industries by increasing import prices.

D. They have no effect on competition.

Tariffs are taxes imposed on imported goods, and their primary effect is to increase the price of those goods in comparison to local products. When tariffs are applied, the cost of importing foreign goods rises, making them more expensive for consumers. This increase in price can lead to reduced demand for imported products. As a result, local industries gain a competitive advantage because their products remain more affordable in comparison. By protecting local industries in this manner, tariffs help to maintain or even grow market share for domestic producers, encouraging them to compete more effectively in their local markets. This creates a scenario where domestic companies may increase production, invest in innovation, and potentially hire more employees. Furthermore, the reduced competition from cheaper foreign goods allows local firms to set prices that are more favorable to their profitability. Other options center around the idea that tariffs stimulate or promote competition, which does not align with the typical function of tariffs. Instead of fostering competition, the primary role of tariffs is to shield local industries from foreign competition by raising the prices of imported goods. Therefore, the correct answer highlights the protective nature of tariffs in a market, showcasing their role in supporting local businesses by making imports less competitive.

9. What does a conventional peg involve regarding currency value?

A. It is entirely free to fluctuate

B. It is fixed to another currency

C. It is periodically adjusted by the government

D. It is determined purely by market supply and demand

A conventional peg involves fixing a country's currency value to another stable currency, typically to ensure predictability and stability in international trade and investment. By pegging the currency, the country commits to maintaining its currency's exchange rate at a specific level relative to the benchmark currency. This arrangement allows businesses and investors to have greater certainty regarding currency values, reducing the risks associated with exchange rate fluctuations. In a pegged system, any forces that push the currency's value away from the peg will require intervention by the central bank or government to maintain the established exchange rate. This can involve buying or selling foreign reserves to uphold the peg, which distinguishes it from more flexible exchange rate systems where values fluctuate freely or are determined by market dynamics.

10. What is the typical goal of trade negotiations between countries?

A. To increase quotas on exports

B. To achieve mutually beneficial trade terms

C. To impose higher tariffs on foreign goods

D. To limit foreign direct investment

The typical goal of trade negotiations between countries is to achieve mutually beneficial trade terms. This approach emphasizes the idea that trade should enhance economic relations for both parties involved. By striving for agreements that offer advantages to all sides, countries can foster greater cooperation, increase trade volumes, and create economic interdependencies that may lead to more stable international relations. Negotiations often involve discussions around tariffs, quotas, and regulations; however, the primary aim is to create a framework that allows for beneficial exchanges. This can include lowering barriers to trade, establishing fair competition standards, and enhancing market access. The mutual benefits achieved through such agreements can lead to happier consumers, more competitive industries, and stronger economic growth in the participating nations.