Certified Internal Auditor - Part 4, Business Management Skills

1. Which of the following is the most significant reason that domestic governments and international organizations seek to eliminate cartels?

A. The increased sales price reduces the amount of corporate tax revenues payable to the government.

B. True competition keeps prices as low as possible, thus increasing efficiency in the marketplace.

C. Small businesses cannot survive or grow without government protection.

D. The economic stability of developing countries depends on a global free market.

Answer(s): B

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2. When a multinational firm decides to sell its products abroad, one of the risks the firm faces is that the government of the foreign market charges the firm with dumping. Dumping occurs when

A. The same product sells at different prices in different countries.

B. A firm charges less than the cost to make the product so as to enter or win a market.

C. Lower quality versions of the product are sold abroad so as to be affordable.

D. Transfer prices are set artificially high so as to minimize tax payments.

Answer(s): B

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3. A global firm

A. Has achieved economies of scale in the firm's domestic market.

B. Plans, operates, and coordinates business globally.

C. Relies on indirect export.

D. Tends to rely more on one product market.

Answer(s): B

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4. A firm expands into international markets to

A. Be in foreign markets.

B. Eliminate foreign competition

C. Pursue new, higher-profit opportunities.

D. Preclude piracy of the firm's products.

Answer(s): C

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5. A firm wishing to become global must consider how many national markets to enter. A firm should enter fewer national markets when

A. Communication adaptation costs are low.

B. The product need not be adapted.

C. Entry costs are low.

D. The first countries chosen are heavily populated and have high incomes.

Answer(s): D

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6. The least risky method of entering a market in a foreign country is by

A. Indirect exports.

B. Licensing.

C. Direct exports.

D. Direct investments.

Answer(s): A

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7. An advantage of a direct investment strategy when entering a foreign market is

A. Reduction in the capital at risk.

B. Shared control and responsibility.

C. Assurance of access when the foreign country imposes domestic content rules.

D. Avoidance of interaction with the local bureaucracy.

Answer(s): C

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8. A firm that moves from not exporting on a regular basis to establishing plants in foreign countries has

A. Globalized.

B. Nationalized.

C. Glocalized.

D. Internationalized.

Answer(s): D

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9. Which strategy for a global marketing organization is based on a portfolio of national markets?

A. reaction of a division to manage international marketing.

B. A multinational strategy.

C. A global strategy.

D. Creation of an export department

Answer(s): B

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10. Which strategy for a global marketing organization balances local responsiveness and global integration?

A. Global.

B. Multinational.

C. Glocal.

D. Transnational.

Answer(s): C

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11. The creation of regional free trade zones is a global phenomenon. Trade barriers are lowered in these areas, and other steps are taken to promote economic cooperation. For example, a common currency has been adopted by the nations of:

A. NAFT

B. Mercosul.

C. APE

D. The European Union.

Answer(s): D

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12. The three major factors favoring globalization are

A. Cultural, commercial, and technical.

B. Flexibility, proximity, and adaptability.

C. Political, technological, and social.

D. Ambition, positioning, and organization.

Answer(s): C

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13. Which method of expanding into international markets is most likely the riskiest?

A. A local storage and sale arrangement.

B. Local component assembly.

C. Direct investment.

D. Joint venture.

Answer(s): C

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14. Which strategy for a global marketing organization emphasizes relatively strong central control?

A. Global.

B. Multinational.

C. Creation of an international division.

D. Global

Answer(s): A

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15. Which of the following is a regional free-trade zone currently limited to South American nations?

A. APEC

B. Mercosul.

C. The Triad Market.

D. NAFTA.

Answer(s): B

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16. A country has a comparative advantage in international trade when

A. Firms in the country have a lower cost of production because of natural resources.

B. It has an absolute advantage with respect to at least one input to production.

C. Firms in the country have a lower cost of production because of transportation and other geographic factors.

D. It produces whatever it can produce most efficiently.

Answer(s): D

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17. Michael E Porter developed what is popularly known as the diamond model for determining national advantages in the global business environment. According to this model.

A. Factor conditions are production advantages that are nature-made or inherited.

B. Foreign markets exert less influence than home markets on a firm's ability to detect demand trends.

C. Reliance on related and supporting industries in the home country weakens a firm's international competitiveness.

D. Cooperation with domestic competitors clearly aids international competitiveness.

Answer(s): B

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18. A U.S firm most likely may decide to enter the Australian market because of

A. Geography.

B. The unmet needs of an undeveloped country.

C. Psychic proximity.

D. Population.

Answer(s): C

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19. Firms that sell products worldwide are most likely to have the lowest costs with a marketing mix that is

A. Adapted to each market.

B. Standardized for all markets.

C. A combination of new and adapted products in each market.

D. A combination of standardized products and adapted promotions.

Answer(s): B

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20. A firm sells the same product in different countries and uses the same promotion methods. According to keegan's model of adaptation strategies, this firm has adopted a strategy of

A. Straight extension.

B. Product adaptation.

C. Product invention.

D. Dual adaptation.

Answer(s): A