

UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration (Level II - Semester VII) Examination, July 2018

**INB 2210 – Foreign Direct Investments and Multinational Corporations
(MNCs)**

Two (02) Hours

Answer any Four (04) Questions.

1.
 - i. Differentiate a 'cooperative joint venture' from an 'equity joint venture'.
(05 Marks)
 - ii. Briefly explain four (04) factors which need to be considered when selecting a local partner for a strategic alliance.
(08 Marks)
 - iii. Using the alliance between Suzuki and Volkswagen which failed, briefly explain four (04) reasons for an alliance to fail and how this failure impact the businesses.
(12 Marks)

(Total 25 marks)

2.
 - i. Identify the five (05) categories used by the 'Global Opportunity Index' to evaluate countries' competitiveness.
(05 Marks)
 - ii. Compare and contrast a vertically integrated MNC and a horizontally integrated MNC.
(08 Marks)
 - iii. Briefly describe the five (05) strategies proposed to a MNC under the Country Attractiveness-Company Strength Matrix.
(12 Marks)

(Total 25 marks)

3. i. Identify five (05) benefits of measuring Foreign Direct Investments (FDIs).
(05 Marks)
- ii. Briefly explain the four (04) types of FDIs based on Dunning's Ownership, Locations, and Internalization (OLI) model.
(08 Marks)
- iii. Describe why firms often prefer FDI over licensing and other modes of entry into a host country based on the 'Internalization Theory'.
(12 Marks)
- (Total 25 marks)**

4. i. Briefly explain the practice of 'Treaty Shopping'.
(05 Marks)
- ii. Identify and briefly describe two (02) tax related challenges faced by developing countries.
(08 Marks)
- iii. Critically evaluate the role played by 'Offshore Financial Centres (OFCs)' in international business.
(12 Marks)
- (Total 25 marks)**

5. i. Using the 'Integration/responsiveness matrix' distinguish between a firm that follows a global strategy compared to an international strategy.
(10 Marks)
- ii. Briefly describe the following.
- a. Organisation for Economic Co-operation and Development (OECD) FDI Regulatory Restrictiveness Index
 - b. Ownership advantages presented through Dunning's OLI model
 - a. FDI stock measures vs FDI flow measures
- (15 Marks)
- (Total 25 marks)**