



UNIVERSITY OF COLOMBO, SRI LANKA

Faculty of Management and Finance

Postgraduate & Mid-career Development Unit

Master of Business Administration (Semester IV - Second half) Examination – March, 2017

MBAGM 618 – Special Topics (International Business)

Three (03) hours

Answer **FIVE (05)** Questions.

Answers for PART - I and PART - II should be written in two separate books.

This paper consists of Six (06) questions printed on Three (03) pages.

PART - I

1. "International business brings new opportunities and threats to governments, firms, and individuals. The challenge is to compete successfully in the global marketplace as it exists today and develops tomorrow."

Discuss the challenges of international business in present global context with the help of PEST analysis.

(Total 20 marks)

2. i. "Traditionally, the internationalization of a firm is thought to occur through a process in which the firm gradually becomes involved in international business and enters foreign markets. However, in the last decades scholars have increasingly reported of new ventures that challenge the traditional view of firm's internationalization by aiming at the international markets right from the inception."

Discuss this statement highlighting the gradual process of internationalization of a firm.
(12 Marks)

- ii. Foreign-market opportunity analysis is the most important exercise in international business.

With an example, elaborate how a foreign market opportunity analysis is conducted.

(08 Marks)

(Total 20 marks)

3. i. A key question in international business concerns the extent to which the elements of the marketing mix—product, price, place, and promotion — should be standardized. Discuss the factors affecting product adaptation decisions.
- (14 Marks)
- ii. Significant price gaps lead to the emergence of gray markets/parallel importation. Provide arguments for and against gray marketing.
- (06 Marks)
- (Total 20 marks)**

PART – II

4. i. “Mercantilism is a bankrupt theory that has no place in the modern world”. Do you agree with this statement? Explain your answer.
- (05 Marks)
- ii. What type of policies might a country in place to be called neo-mercantilist?
- (05 Marks)
- iii. Is free trade fair for all the countries irrespective of their current development? Discuss.
- (05 Marks)
- iv. Briefly explain the ‘Theory of comparative advantage’. What are the static and dynamic benefits a country can enjoy according to the theory?
- (05 Marks)
- (Total 20 marks)**
5. “Sri Lanka is one of the poor countries in the world that has competitive disadvantage in every sector of its economy. And it has little to export with the existing factor endowment. Therefore, free trade cannot possibly be in the interest of Sri Lanka’s international trade”. Do you agree with this statement? Explain your answer giving new policy recommendations to Sri Lanka to gain from international trade?
- (Total 20 marks)**
6. i. Identify the factors that determine foreign exchange demand and supply.
- (05 Marks)

ii. "Knowledge about the interest spread alone may not motivate an investor to make the investment decision".

Do you agree with this statement? Explain your answer using the other factors which would help the investment decision.

(05 Marks)

iii. What is meant by the term 'cross exchange rate'? How it is useful to businesses?

(05 Marks)

iv. Explain how does a fall in the domestic purchasing power leads to propositional currency depreciation.

(05 Marks)

(Total 20 marks)