

UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration (Level II - Semester VII) Examination, July 2017

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

Two (02) Hours

Answer any Four (04) Questions.

1.
 - i. Identify four (04) negative impacts a MNC can have on a developing country.
(06 Marks)
 - ii. Identify and briefly describe three (03) reasons for a country to use different investment policy measures for domestic investors in comparison to foreign investors.
(09 Marks)
 - iii. World Investment Report, 2016 of United Nations Conference on Trade and Development (UNCTAD) suggests using the “fit for purpose” test when determining new investment policies. Explain how a “fit for purpose” test is conducted.
(10 Marks)
(Total 25 marks)

2.
 - i. Identify four (04) sources of information that can be used in obtaining details for location comparison when a MNC makes the entry decision.
(06 Marks)
 - ii. Briefly describe the concept of ‘escalation of commitment’ with regards to investing in a new country.
(09 Marks)
 - iii. Compare and contrast reinvestment decisions and harvesting decisions of MNCs.
(10 Marks)
(Total 25 marks)

3. i. Identify three (03) tax avoidance levers that are used by MNCs as suggested by UNCTAD.
(06 Marks)
- ii. Identify and briefly describe three (03) strategies available for a MNC when it considers entering in to an emerging market.
(09 Marks)
- iii. 'Vernon's Product Life Cycle is considered to be less applicable in explaining the behaviour of modern MNCs'. Do you agree with the above statement? Justify your answer using examples.
(10 Marks)
- (Total 25 marks)**
4. i. Identify four (04) considerations a MNC takes into account when selecting a local partner to form a strategic alliance.
(06 Marks)
- ii. Identify and briefly describe three (03) factors that determine the organizational structure of a MNC.
(09 Marks)
- iii. Using real world examples, compare and contrast pressures faced by a MNC to be locally responsive and globally integrated.
(10 Marks)
- (Total 25 marks)**
5. i. Describe how Dunning's OLI model can be applied by the Sri Lankan policy makers to decide Sri Lanka's strategy towards MNCs.
(10 Marks)
- ii. Briefly describe the following.
- a. Liability of Foreignness (LOF)
 - b. Economic Freedom Score
 - c. Knickerbocker's Theory on behaviour of FDI
- (15 Marks)**
- (Total 25 marks)**
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