MACHAKOS UNIVERSITY COLLEGE

(A Constituent College of Kenyatta University)
University Examinations for 2015/2016

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

SECOND SEMESTER EXAMINATIONS FOR THE DEGREE OF BACHELOR OF ECONOMICS AND FINANCE

EAE 200: ECONOMICS OF GLOBAL BUSINESS

DATE: 1**/8/2016** **TIME: 8:30 – 10:30 AM**

INSTRUCTIONS:

Answer question one (compulsory) and any other two questions.

Do not write on the question paper.

QUESTION ONE

(a) Write notes on the following as used in economics of global business

(i) Experience curve

(ii) contagion

(iii) Reputation effect

(iv) Benevolent behaviour (8 marks)

(b) Distinguish between globalization of markets and globalization of production (4 marks)

(c) Distinguish between government and competitive drivers of globalization (4 marks)

(d) In your own view, provide a critique relating globalization and the advent of world financial crises (5 marks)

(e) Trade creation is said to occur when some domestic production in a member nation of the customs union is replaced by lower cost imports from another member nation. With the aid of a well labelled diagram demonstrate the welfare effect a trade creating customs union (5 marks)

(f) Briefly analyse global business strategy formulation (4 marks)

QUESTION TWO

(a) Explain four causes of the Asian crisis in 1997 (8 marks)

(b) In brief, present the history of the global business while paying attention to the drivers of globalization in the first age and the second age (6 marks)

(c) Examine

(i) The challenges faced by Multinational corporations (MNC) in developing countries

(ii) In your view suggestions to improve performance of such MNCs (6 marks)

QUESTION THREE

(a) Evaluate any three political imperatives in the global business (6 marks)

(b) Illustrate the impacts of globalization on

(i) Consumers

(ii) Companies

(iii) Government (6 marks)

(c) Evaluate some advantages and disadvantages of licensing as a mode of entry in the globalization of production (5 marks)

(d) Distinguish preferential trade area (PTA) and customs union as types of economic integration (3 marks)

QUESTION FOUR

(a) Two companies want to make a decision in a foreign market whether to cooperate or attack. If company A attacks and company B attacks, A gets -1 and B gets -1. If A attacks and B cooperates, A gets zero and B gets 2. If A cooperates and B attacks, A gets 2 and B gets zero. If they both decide to cooperate, they get a payoff of 1 each.

Required

(i) State the strategies available to each player (2 marks)

(ii) Draw the extensive form of the game (3 marks)

(iii) Is there Nash equilibrium in this game? Show your workings and the type of equilibrium (3 marks)

(b) Explain the meaning of turkey project as used in economics of globalization (3 marks)

(c) Evaluate the IMF stimulus plan in cushioning the financial crises. (5 marks)

(d) Evaluate the merits of joint ventures as mode of entering foreign markets. You may use specific examples for illustration (4 marks)

QUESTION FIVE

(a) Provide the merits of global business strategy over a national Business strategy. Cite examples from your country where applicable (6 marks)

(b) Provide a chronology of events leading to the revival of the East African Community in about 1999 (4 marks)

(c) Distinguish between franchising and licensing (4 marks)

(d) Analyse the second best theorem as relates to economics of global business (6 marks)