



MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

SECOND YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF ECONOMICS AND STATISTICS

BACHELOR OF ECONOMICS AND FINANCE

BACHELOR OF ECONOMICS

EAE 200: ECONOMICS OF GLOBAL BUSINESS

DATE: 6/5/2019

TIME: 8.30-10.30 AM

INSTRUCTIONS:

- (i) Answer question one (Compulsory) and any other two questions**
- (ii) Do not write on the question paper**
- (iii) Show your working clearly**

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Describe the following facets of globalization as applied in economics of global business
 - i) Globalization of markets (2 marks)
 - ii) Globalization of production (2 marks)
 - iii) Global business strategy (2 marks)
- b) Increasing pressure of globalization and the rising global competition have prompted managers and academicians to rethink the formulation of global business strategy. Highlight five forces driving global business strategy. (5 marks)
- c) Political arguments for government intervention cover a range of issues. Briefly state and, discuss five main political imperatives in global business (10 marks)
- d) State three different features or traits of Multinational corporations (MNCs) (3 marks)

- e) Mention any four contemporary ethical issues in economics of global business (4 marks)
- f) Highlight any two forms of economic integration (2 marks)

QUESTION TWO (20 MARKS)

- a) Once a firm decides to enter a foreign market, the question arises as to the best mode of entry. Firms can use several and different modes to enter foreign markets. Discuss any five modes of entry (10 marks)
- b) MNCs face a lot of challenges when operating in foreign countries. Most of the operational challenges are manifested in the developing countries more than the ones experienced in the developed countries. Discuss any five possible challenges. (10 marks)

QUESTION THREE (20 MARKS)

- a) Discuss the concept of Corporate Social Responsibility (CSR). Give two practical examples within Machakos County (4 marks)
- b) Discuss five conditions under which a customs union is more likely to lead to trade creation and increased welfare (10 marks)
- c) The prisoner's dilemma is a classic case of non-cooperative game with conflict. State and explain other three types of games (6 marks)

QUESTION FOUR (20 MARKS)

- a) Considering the chronology of crises, the causes of crisis have been subject to wide differences in interpretation. Briefly discuss five main possible causes of crises. Give local examples (10 marks)
- b) In addition to receiving the static welfare gains, nations forming a customs union are likely to receive some benefits. Discuss the possible dynamic benefits that may be gained (8 marks)
- c) There are two key words used in the global business strategy. These are strategic planning and strategy. Differentiate the two (2 marks)

QUESTION FIVE (20 MARKS)

- a) Globalization has impacted variously on consumers, companies, workers and governments? Discuss considering each aspect (12 marks)
- b) There are a number of factors that influence the decision by MNCs to establish businesses in foreign countries. Discuss four main factors giving relevant examples from Kenya (8 marks)