MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

…………… YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF ECONOMICS AND FINANCE

BACHELOR OF ECONOMICS

ECONOMICS AND STATISTICS

EAE 200: ECONOMICS OF GLOBAL BUSINESS

DATE: **TIME:**

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) Distinguish between the following in relation to Economics of Global business; (10 marks)

   i. Production globalization and market globalization

   ii. Licensing and Franchising

   iii. Globalization and internationalization

   iv. Transnational companies and Multinational companies

   v. Trade diversion and Trade creation

b) Which indicators can one use to demonstrate the increase in globalization? (6 marks)

c) Briefly explain the essential features of a Multinational Corporation. (6 marks)

d) State the Theory of the Second Best and explain the various dynamic effects that countries forming a customs union are likely to receive. (8 marks)

QUESTION TWO (20 MARKS)

a) Which are the factors that facilitated the success of European union? Briefly explain. (3 marks)

b) The Asian Financial crisis was associated with four primary challenges. Which were they? (4 marks)

c) Define the term *global business strategy* and suggest the various approaches that a firm can adopt to globalize. (13 marks)

QUESTION THREE (20 MARKS)

a) Describe three methodologies that can be used to determine exchange rates. (6 marks)

b) What do you think were the root origins of the Mexican and Asian Financial Crises? (10 marks)

c) Identify four elements of a Global Business Environment. (4 marks)

QUESTION FOUR (20 MARKS)

a) Explain the essential features of different levels of economic integration possible between 2 or more countries. (10 marks)

b) Why would a firm that want to go global prefer setting-up a new operation in the target country instead of globalizing through a joint venture? (8 marks)

c) What do you understand by the term “financial crisis”? (2 marks)

QUESTION FIVE (20 MARKS)

a) Differentiate between ‘strategy’ and ‘strategic planning’ and explain six steps followed in the development of global business strategies. (10 marks)

b) With examples, give reasons why MNCs set up businesses across the border. (10 marks)