QB365 Question Bank Software Study Materials

International Business Important 2,3 & 5 Marks Questions With Answers (Book Back and Creative)

11th Standard

Commerce

Total Marks : 75

2 Marks

10 x 2 = 20

1) What do you mean by international business?

Answer : International business denotes all those business activities which take place beyond the geographical limits of the country.

2) What is meant by Export Trade?

Answer : When the firm of a country sells goods and services to a firm of another country it is called as export trade.

3) What is meant by Import Trade?

Answer : When a business firm of a country purchases goods from the firm of another country it is called as Import Trade.

4) What is meant by Entrepot Trade?

Answer : When the firm of a country imports goods for the purpose of exporting the same goods to the firms of some other country with or without making any change in the goods meant for export it is known as entrepot trade.

5) What is out sourcing?

Answer : It connotes a type of international business where a firm enters into a contract with one or few local manufacturers in foreign countries in order to get certain components of goods produced according to its specifications. It is also called as contract manufacturing or outsourcing.

6) How does international business help to rise standard of living of a nation?

Answer : (i) On account of international business, the citizens of the country can buy more varieties of goods and services which cannot be produced cost effectively within the home country.
(ii) This exchange of goods and services among the countries enhances higher standard of living of people.

7) What is Franchising?

Answer : Franchising is a contractual agreement which involves grant of rights by one party to another for use of technology, trade mark and patterns in return of the agreed payment for a certain period of time.

8) What is FDI?

Answer : FDI means investment made by a company or individual in one country in the business interest in another country in the form of either establishing new business operations or acquiring business assets in the other country.

9) What is meant by foreign direct investment?

Answer : Foreign direct investment FDI means investment made by a company or individual in one country in the business interest in another country in the form of either establishing new business operations or acquiring business assets in the other country.

10) Give some routes of International business before 18^{th} century.

Answer : 1. Salt route - India to Egypt
2. Silk route - China to India
3. Spice route - India to Europe

3 Marks

10 x 3 = 30

11) Explain any three features of International business.

Answer : The following are the features of international business.

Involvement of Countries: International business can take place only when transactions occur across different countries.

Use of Foreign Exchange: Where countries trade with one another, it has to exchange the goods and services on the basis of foreign currency.

Heavy Documentation Work: International business necessitates fulfillment of a lot of formalities. Parties to international business have to execute a number of documents in the matters of conducting International business.

12) Explain the features of Entrepot trade.

Answer : **Features:**

1. No import duty is imposed on such goods.
2. These goods are processed and re-packed for re-export.
3. Such goods are kept in the Bonded warehouses until they are re-exported.

13) Describe importance of the external trade to an economy.

Answer : 1. to raise national income and standard of living

2. to enable even distribution of natural resource
3. to enable even distribution of agricultural products
4. to enjoy the fruits of development of science and technology
5. to share the benefits of low cost of production

14) What are the features of Entrepot Trade?

Answer : **The following are the special feature of Entrepot Trade.**

(i) Import duty is not levied on such goods

(ii) These goods are reprocessed and repacked for re-export.

(iii) Such goods are kept in the bounded warehouse till they are re-exported.

15) How does international trade helps for specialisation?

Answer : (i) Certain countries or some geographical areas of a certain country specialise in the production of goods and services due to some natural advantages like abundant availability of skilled labour, favourable climatic conditions, availability of natural resources, technical known-how, etc.

(ii) For Example: In India, Coimbatore specialises in cotton textiles and producing textiles and machinery. Tripur specialises in manufacturing hosiery products. This specialisation paves the way for large scale production of specialised items

16) What are all the routes of International Business before 18th century?

Answer : 1. Salt Route - India to Egypt

2. Silk Route - China to India
3. Spice Route - India to Europe.

17) Define International Business.

Answer : According to John D. Daniels and Lee H. Rade baugh, "International business is all business transactions-private and governmental- that involve two or more countries".

18) What are all the three ways under which a joint venture can take place?

Answer : It can be established under three different ways namely,

(i) Foreign Investors buying an interest in local company

(ii) Local firm acquiring an interest in the existing foreign firm

(iii) Both the foreign and local firms jointly forming a new enterprise.

19) What are all the features of Entrepot Trade?

Answer : **The following are the special features of Entrepot trade :**

(i) Import duty is not levied on such goods

(ii) These goods are reprocessed and repacked for re-export

(iii) Such goods are kept in the Bonded warehouse till they are re-exported.

20) How can we establish joint venture?

Answer : 1. Foreign investors buying an interest in local company.

2. Local firm acquiring an interest in the existing foreign firm.

3. Both the foreign and local firms jointly farming a new enterprise.

5 Marks 5 x 5 = 25

21) List out the advantages of international trade.

Answer : **(i) Geographical specialisation :**

(1) Countries across the world differ significantly in terms of natural resources, capital equipment, manpower, technology and land so on.

(2) Some countries are rich in mineral resources, hydro-electric power, metallic resources and so on while some other countries may possess advanced technique of manufacturing, efficient working population, capital equipment and so on.

(3) International business is required to exchange the surplus resources resulting from geographical specialisation for deficit resources in other countries.

(ii) Optimum use of natural resources:

(1) International business operates on as simple principle what your country can produce more efficiently and trade the surplus production with other countries, to procure what they can produce more efficiently.

(2) This enables the countries to optimally utilise the scarce resources available with them

(iii) Economic development :

(1) International business helps the developing countries greatly in achieving rapid economic development by importing machinery, equipment, technology, talent and so on.

(2) For Example: China, India, Brazil and South Korea which were once slow in their economic development are achieving faster economic development due to international business.

(3) Even the developed countries like Japan, USA, UK, etc have achieved remarkable economic progress through the import of raw material and exports of manufactured goods.

(iv) Generation of employment:

(1) International business generates employment opportunities by assisting the expansion and growth of agricultural and industrial activities.

(2) It provides direct employment to those people who are hired by export and import firms and generates indirect employment to number of intermediary firms like, clearing and forwarding agent, indent houses, transport organizations, outsourcing agencies, etc.

(v) Higher standard of living:

(1) On account of international business, the citizens of the country can buy more varieties of goods and services which cannot be produced cost effectively within the home country.

(2) This exchange of goods and services among the countries enhances the standard of living of people.

(vi) Price equalisation :

(1) International business helps to stabilise the prices of various commodities which are fluctuating on a daily basis in the world market.

(2) Whenever the price of a commodity rises sharply in a particular country, the same commodity is imported from some other foreign countries to prevent the sharp rise in prices in the home country.

(vii) Prospects for higher profit:

(1) International business helps the firms which produce goods in excess to sell them at relatively higher price to various countries in the international market.

(2) This enables them to earn higher profit.

(viii) Capacity utilisation:

(1) International business enables the firms across the country to sell their goods and services on a larger scale in the international market.

(2) As a result their machinery and equipments are used to their full capacity.

(3) In short, very prospect of selling goods in international market besides selling goods in home market keep the machineries, tools, equipment and factory fully engaged all through out the year.

(ix) International peace:

(1) International business makes countries across the world become inter-dependent while they are independent in their functioning.

(2) This facilitates the exchange of culture, ideas, mutual understanding.

(3) It develops and strengthens cultural and social relations among the people of different countries.

(4) All these collectively contribute to maintain international peace.

22) Distinguish between internal and international trade.

Answer :

S.No	Basis	Domestic Business	International Business
1	Meaning	Domestic business refers to business transactions involved within the geographical boundaries of a country	International business refers to the business transactions involved beyond the boundaries of a country
2	Participants in business	People/organizations within the country participate in business activities	People/organizations outside the country participate in business activities
3	Mobility of factor of production	The factors of production i.e. labour capital, technology, material, etc. move freely within the boundaries of the country	The factors of production i.e. labour, capital technology, material, etc. move across the boundaries of the country.
4	Nature of consumers	Consumers are relatively homogenous in nature in terms of culture, behaviour, taste, preferences, legal system, customs and practices, etc	Consumers are relatively hetrogenous in nature in terms of culture, behaviour, taste, preferences, legal system, customs and practices, etc. prevailing across the countries
5	Business systems	Domestic business is governed by the rules, laws, policies, taxation system,etc. of a single country.	International business is governed by rules laws and policies, tariffs and quotas, etc. of multiple countries
6	Currency used	Domestic business transactions are settled by local currency of a country	International business transactions are settled by foreign currencies.
7	Mode of transport	The goods involved in domestic business are mainly transported by roadways and railways.	The goods involved in international business is mainly transported by water and airways
8	Risk exposure	The risks involved in domestic business are relatively less	The risk involved in international business are more due to distance, difference in socioeconomic and political conditions, change in foreign exchange values, etc.
9	Scope of market	The scope of market is limited to national boundaries of a country.	The scope of international business is very wide and extends beyond the frontiers of a country
10	Payment of Excise duty	Payment of excise duty involves simple procedures and it is relatively low in domestic trade.	The process of payment of excise is complicated in international business and the rate of excise duty is relatively high

23) Enumerate the disadvantages of International Trade?

Answer : **Disadvantages:**

(i) Economic dependence:

(1) International Trade is more likely to make the country too much dependent on imports from foreign countries.

(2) The former may not take any efforts to produce goods and services indigenously to substitute imported goods and becoming self sufcient.

(3) As a result, the importing country may become economically slave to exporting country and end up becoming colony of exporting country.

(ii) Inhibition of growth of home countries:

(1) International business may discourage the growth of indigenous industries.

(2) Unrestricted imports and severe competition from foreign companies may ruin the home industries altogether.

iii) Import of Harmful Goods:

International business may lead to import of luxurious goods, spurious goods, dangerous goods, etc. It may harm the well-being of people.

(iv) Shortage of essential goods in home country:

Moreover, the export of essential commodities out of the greed of earning more foreign exchange may result in an absolute shortage of these goods at home country and people may have to buy these commodities at an exorbitant price in the local market

(v) Mis-use of natural resources:

(1) Excessive export of scarce natural resources to various countries across the world may lead to faster depletion of the resources.

(2) This in turn may bring about ecological disaster in the country from which it is exported.

(vi) Political exploitation:

(1) International business may create economic dependence among the countries which may threaten their political independence.

(2) The MNC s may influence the policy decision of the goverment to their favour.

(3) In due course of time they may dictate terms to administrators of nation by the strength of their money power.

(4) For Example Britishers came to may countries as mere traders and ultimately colonized those countries and ruled them for centuries.

(vii) Rivalry among the nations:

(1) Acute competition for exports may lead to rivalry among the nations.

(2) This may lead to conflict of interest among the countries, and end up inwars among them.

(viii) Invasion of culture:

(1) International business may result in invasion of country's culture.

(2) Younger generation is more likely to imitate foreign culture and buy goods and services beyond their means to gain acceptance in the affluent section of society.

(3) This will ruin the conventional life style of the society.

24) Explain Rationale behind in International Business.

Answer : **(i) Unequal distribution of natural resources:**

(1) Countries across the world are not endowed with the natural resources of various types equally and equitably.

(2) In other words, the natural resources are unevenly spread across the various nations.

(3) As a result, the countries having surplus resources have to exchange it for those resources which are not available in their home country.

(4) This uneven distribution of resources. world wide makes it necessary the exchange of goods among the countries. through international business.

(ii) Uneven availability of factors of production:

(1) The availability of various factors of production namely land, labour, capital and technology for producing goods and services differ among different countries.

(2) International business moves the surplus factor in one country over another country, where it is in short supply, therefore international business is necessary

(iii) specialisation:

(1) Certain countries or some geographical areas of a certain country specialise in the production of goods and services due to some natural advantages like abundant availability of "skilled labour, favourable climatic conditions, availability of natural resources, technical know-how, etc.

(2) **For Example:** in Indian Coimbatoe specialises ill cotton textiles and producing textiles and machinery; Tripur specialises in manufacturing hosiery products.

(3) This specialisation paves the way for largesacle production of specialised items. International business transfers the abundant surplus to other countries which do not have these sp.ecialised goods or products.

(iv) Cost Benefit:

(1) Production cost varies significantly among the countries due to difference ill socio-economic, geographical, demographical, technical and political environments prevailing there in.

(2) As a result some countries are in a better position to produce some goods more economically and efficiently than other countries.

(3) This makes the firms engaged ill international business. Import the goods are available at lower prices from other countries and export the goods which bring them better prices to other countries.

25) State the rationale behind conducting international business.

Answer : **Rationale Behind International Business:**

a) Unequal Distribution of Natural Resources:

1. Countries across the world are not endowed with the natural resources of various types equally and equitably.

2. In other words, the natural resources are unevenly spread across the various nations.

3. As a result the countries having surplus resources have to exchange it for those resources which are not available in their home country.

4. This uneven distribution of resources worldwide makes it necessaty for the exchange of goods among the countries through international business.

b) Uneven Availability of Factors of Production:

1. The availability of various factors of production namely, land, labour, capital and technology for producing goods and services differ among different countries.

2. International business moves the surplus factor in one country over another country where it is in short supply.

3. Therefore international business is necessary.

c) Specialisation:

1. Certain countries or some geographical areas of a certain country specialize in the production of goods and services due to some natural advantages like abundant availability of skilled labour, favorable climatic conditions, availability of natural resources , technical, know-how, etc.

2. For example, In India Coimbatore specilises in cotton textiles and producing textiles and machinery. Tirupur specialises in manufacturing hosiery products

3. This specialisation paves way for large scale production of specialised items. International business transfers the abundant surplus to other countries which do not have these specialised goods or products.

d) Cost Benefit:

1. Production cost varies significantly among the countries due to difference in socio economic, geographical, demographical, technical and political environments prevailing there in.

2. As a result some countries are in a better position to produce some goods more economically and efficiently than other countries.

3. This makes the firms engaged in international business import the goods available at lower prices from other countries and export the goods which bring them beffer prices to other countries.