4.1 Multinationals and Global Market Entry Strategies: Test Pack

Total Marks

AQA 7132 · Calculators not allowed · about 15 minutes

Name: _____ Date: ____ / ____ / _____

Answer ALL questions. Use full sentences for the three extended questions (the last three). Show any simple working for calculations.

1 Which one of the following is a typical reason a business becomes a multinational?

- ☐ A) To reduce product quality by using cheaper materials
- ☐ B) To access new customer markets overseas
- ☐ C) To increase the fixed costs per unit
- ☐ D) To avoid hiring local workers

(Total for Question 1 is 1 mark)

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2 State one method a business can use to enter an overseas market.

(Total for Question 2 is 1 mark)

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3 Which one of the following is a likely disadvantage to a host economy when a multinational repatriates profits to its home country?

- ☐ A) Increased local tax revenue
- ☐ B) A rise in domestic investment
- ☐ C) A reduction in money retained in the local economy
- ☐ D) Improved local skills and training

(Total for Question 3 is 1 mark)

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4 Which one of the following best describes foreign direct investment (FDI) as a market entry strategy?

- ☐ A) Selling licences to a local company to use the brand
- ☐ B) Exporting goods from the home country without any local presence
- ☐ C) Establishing a long-term physical presence, such as a factory or subsidiary, in the host country
- ☐ D) Allowing independent retailers to stock products without control over pricing

(Total for Question 4 is 1 mark)

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5 Explain one advantage to a business of using franchising as a method of entering an overseas market.

(Total for Question 5 is 3 marks)

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6 Explain one benefit to a host country of a multinational locating a factory there.

(Total for Question 6 is 1 mark)

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7 Identify two reasons a multinational might choose to locate production in a low-wage country rather than in its home country.

(Total for Question 7 is 2 marks)

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8 Explain one ethical concern a host country might have about a multinational's operations there.

(Total for Question 8 is 2 marks)

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Mark scheme · 4.1 Multinationals and Global Market Entry Strategies: Test Pack

Question 1

B cao **B1**

Answer: B

Question 2

any one valid method named, e.g. exporting **B1**

Answer: Any one method, e.g. exporting, licensing, franchising, joint venture, foreign direct investment.

Question 3

C cao **B1**

Answer: C

Question 4

C cao **B1**

Answer: C

Question 5

identifies an advantage, e.g. rapid expansion with lower capital outlay **B1**

develops the point, e.g. local franchisees provide the investment to open outlets **B1**

links to an outcome, e.g. this allows the business to grow overseas quickly while reducing financial risk for the parent company **B1**

Answer: Franchising allows rapid expansion with lower capital outlay because local franchisees provide the investment, so the parent company grows overseas quickly while reducing its financial risk.

Question 6

identifies and briefly explains a benefit, e.g. job creation leading to reduced unemployment **B1**

Answer: Creates local jobs which can reduce unemployment and increase incomes for local workers.

Question 7

lower labour costs **B1**

access to new markets or proximity to raw materials or favourable tax/regulatory environment (any one) **B1**

Answer: Lower labour costs; and access to new markets or proximity to raw materials or favourable tax/regulatory environment.

Question 8

identifies an ethical concern, e.g. exploitative working conditions or low wages **B1**

develops the point, e.g. such practices can harm local workers and damage the country's international reputation or trigger protests **B1**

Answer: An ethical concern is exploitative working conditions or very low wages, which can harm local workers, reduce living standards and damage the country's reputation or provoke social unrest.

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