Name: ID:

**Quiz 3, International Business Instructor: Rima BinSaeed**

**Please choose one from the following:**

1) The \_\_\_\_\_\_\_\_ theory states that when an aspect of the market makes a transaction less

efficient than it could be, a company will undertake foreign direct investment to internalize the transaction and thereby remove the efficiency reducing aspect.

A) market power

B) perfect market

C) international product life cycle

D) market imperfections

2) According to the eclectic theory, each of the following advantages must be present for a company to undertake foreign direct investment EXCEPT \_\_\_\_\_\_\_\_.

A) location

B) ownership

C) internationalization

D) localization

3) The \_\_\_\_\_\_\_\_ theory states that a firm tries to establish a dominant presence in an industry by undertaking foreign direct investment.

A) market power

B) eclectic

C) market imperfections

D) trade barriers

4) Which of the following is the extension of company activities into stages of production that provide a firm's inputs or absorb its outputs?

A) Horizontal integration

B) Vertical integration

C) Market penetration

D) Collaborative diversification

5) When a country provides tax breaks and low-interest loans, it is using which of these to encourage inflows of foreign direct investment?

A) Financial incentives

B) Sanctions

C) Infrastructure improvements

D) Performance demands

6) Which of the following would most likely be used by a host country to restrict incoming foreign direct investment?

A) Differential tax rates for earnings abroad

B) Insurance to cover the risk of overseas investments

C) Low-interest loans to investors

D) Ownership restrictions

7) Which of the following refers to investments that do NOT involve obtaining a measure of control in a company?

A) Foreign direct investment

B) Portfolio investment

C) Mergers

D) Acquisitions

8) All of the following factors of production are internationally mobile EXCEPT \_\_\_\_\_\_\_\_.

A) labor

B) financial capital

C) capital equipment

D) land

9) The purchase of physical assets or a significant amount of ownership (stock) of a company in another country to gain a measure of management control is called \_\_\_\_\_\_\_\_.

A) foreign direct investment

B) portfolio investment

C) mergers

D) vertical integration

10) To restrict outflow, home country can:

A) give insurance on assets abroad

B) Loan guarantees

C) Sanctions that prohibit investing

D) Local content requirements