

THINK CRITICALLY

1. List several reasons businesses may want to make multinational business investments.

 2. What determines a country's foreign exchange rate?

 3. True or False? _____ A global business is not committed to a single home country.

 4. Over the past 20 years, U.S. business investments in other countries have grown to nearly _____
 - a. \$500 billion
 - b. \$1 trillion
 - c. \$2.5 trillion
 - d. \$5 trillion

 5. Which of the following is NOT a reason for companies to make international business investments?

 - a. to increase operating efficiency and reduce costs
 - b. to reduce political, legal, and regulatory hurdles they might otherwise face in other countries
 - c. to diversify their operations
 - d. all of the above are appropriate reasons

 6. True or False? _____ The value of a country's imports and exports has no effect on the exchange rate for its currency.

 7. The largest trading market in the world is
 - a. the New York Stock Exchange
 - b. NASDAQ
 - c. the Chicago Board of Trade
 - d. the foreign exchange market
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TEAMWORK

Discuss in pairs or small groups and then write your conclusions below.

8. Identify five concerns for businesses thinking about expanding internationally. For each concern, identify a way the business could mitigate (reduce) the risk.

FILL IN THE BLANK *(note: some terms will not be used)*

capital markets
choice
commodity markets
corporation
demand
economics
exchange rate
financial market

financial return
financial risk
foreign currency
foreign exchange market
global business
limited liability company (LLC)
market economy
market price

money markets
partnership
resources
scarcity
sole proprietorship
stock market
supply
term

1. _____ is the uncertainty that an expected profit will not be achieved.
 2. An organized exchange of the ownership shares of public corporations is called a(n) _____ .
 3. A(n) _____ is a company that transcends national boundaries and is not committed to a single home country
 4. The science of decision making about the allocation of scarce resources is called _____ .
 5. A(n) _____ is the organized process for the exchange of capital and credit.
 6. A(n) _____ is a business owned and managed by two or more people under the conditions of a legal written agreement.
 7. _____ refers to where one currency is exchanged for another.
 8. Currency of another country is called _____ .
 9. Length of time invested money is controlled by others is called the _____ .
 10. _____ are where you can trade raw materials and other basic production resources.
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THINK CRITICALLY

11. Identify five ways that the U.S. economy affects the lives of you, your family, and your community. They can be both positive and negative.

12. Many people start their day with a bowl of breakfast cereal. Consider all of the resources needed to produce a box of cereal. Make a list of the resources you think would be needed and classify them as natural resources, capital resources, or human resources.

13. Why do most people start new businesses as a sole proprietorship when a corporation offers greater protection for the assets invested?
14. Why is there a need for secondary offerings for stock and bonds as well as a primary offering? Even though the company issuing the stocks and bonds does not benefit directly from secondary offering sales, how can those sales have a positive effect on that company?
15. The exchange rates for foreign currencies are of great concern to businesses involved in foreign trade. In what ways do those exchange rates affect individual consumers?



EXCEL PROBLEMS

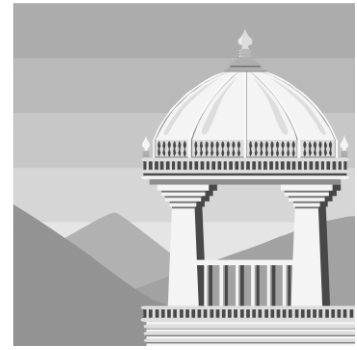
Use Excel to solve the problems below and email the spreadsheet as an attachment.
MAKE SURE TO USE FORMULAS IN YOUR WORK!
(don't just type the answers)

16. An electronics company can use its resources to produce either digital cameras or cellular phones. It costs \$87 to produce each camera and \$58 to produce each phone. In the current market it will be able to sell 8,500 cameras at \$127 each or 12,750 phones at \$92 each. What will be the difference in the company's profit for each of the choices?
17. In a recent year the federal corporate tax rate was 15 percent on income up to \$50,000 and 25 percent for income from \$50,000-\$75,000. In the same year, the individual income tax rate was 0 percent for income up to \$7,500, 15 percent for income from \$7,500-\$30,500 and 25 percent for income from \$30,500-\$74,000. What would be the difference in income tax paid by a person who organized a small business as a corporation versus a sole proprietorship with a business income of \$69,800?
18. Allan has a grain farm in Iowa. His cost for raising corn is \$2.28 per bushel. He sold his corn crop at three different times on the commodity market. In June after his corn was planted he sold half of his anticipated 300,000 bushel crop on the futures market for \$2.32 per bushel. In November he sold 90,000 bushel at \$2.30 per bushel on the spot market. The next April, he sold the remaining 60,000 bushel for \$2.25. What were Allan's income, costs, and profit or loss from each sale? What were his income, costs, and profit realized from the entire crop?
19. A U.S. manufacturer placed an order with a German company for some specialized production equipment. The final cost of the order was \$78,500 EUR. From the time negotiations began until the order was completed and payment needed to be made, the currency exchange rate between the U.S. dollar and the Euro has gone from \$1.252 USD/EUR to \$1.273. How much more did the U.S. company have to pay based on the rate change? What was the percentage of price increase in U.S. dollars?

India Rising

The New Empire

Watch the video clip “India Rising” and answer the questions that follow. Pay special attention to how business in India is different from what we are used to in the United States ... and how it is similar.



Questions for Discussion

1. India has a huge middle class, but many of the people in rural areas only make \$1 or so a day. Because of this, how do businesses have to market products differently in India?
2. How does retail differ in India from what we are used to?
3. How is retail *starting* to look very similar to the United States?
4. Why do they say that India is such a huge market for business?
5. The video talks about how many U.S. financial institutions are investing BIG in India. Why do you think this is so? Why would US banks, stock exchanges, and private equity firms be interested in India?
6. What are some of the challenges that India faces?
7. What are some of the things that surprised you about India?



Extra Credit

What is the population of India?

What is the only other economy on earth that is growing faster than India?

How fast has the Indian economy been growing?

What are some of the U.S. businesses who are expanding to India?

What is the currency in India?