

# IB Business Management

## Multinational Companies (1.6) Assessment

Name: \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_

Instructions: Answer all questions. Total marks: 50.

### **Section A: Multiple choice (10 marks)**

1. A key criticism of some MNCs is that they:
  - A. Always pay higher wages than local firms
  - B. Use transfer pricing/profit shifting to reduce tax
  - C. Never invest in infrastructure
  - D. Cannot influence governments
  
2. External economies of scale in a host country may be improved if MNCs:
  - A. Reduce competition
  - B. Invest in local suppliers and infrastructure
  - C. Avoid training local staff
  - D. Increase tariffs
  
3. A possible environmental issue linked to MNCs in host countries is:
  - A. Automatic reduction in emissions
  - B. Pollution if regulation is weak
  - C. Guaranteed renewable energy use
  - D. No impact on resources
  
4. A multinational company (MNC) is best defined as a business that:
  - A. Operates only online
  - B. Has headquarters in one country and operations in several countries
  - C. Sells only imported goods
  - D. Is owned by a government
  
5. One reason a business might locate production nearer to overseas markets is to:
  - A. Increase distribution distances
  - B. Reduce transport and distribution costs
  - C. Avoid local demand
  - D. Increase tariffs
  
6. A possible disadvantage of MNCs to host countries is:
  - A. Skills transfer always increases
  - B. Profits may be repatriated to the home country
  - C. Infrastructure always declines
  - D. Wages always rise rapidly
  
7. A host government benefits from an MNC partly through:
  - A. Monopoly power of the MNC
  - B. Tax revenues and employment creation
  - C. Guaranteed profit reinvestment
  - D. Elimination of local firms
  
8. One advantage of MNCs to host countries is:
  - A. Lower tax revenue always
  - B. Increased investment and employment
  - C. Reduced competition
  - D. Guaranteed long-term stability
  
9. 'Footloose' multinationals are those that:
  - A. Avoid international markets

- B. Move locations if costs/taxes/regulations change
- C. Only operate in one city
- D. Are owned by employees

10. An MNC might become multinational to:

- A. Increase transport costs
- B. Overcome trade barriers
- C. Reduce market access
- D. Avoid economies of scale

### ***Section B: Short answer (10 marks)***

Define the term multinational company (MNC). (2)

Explain one way an MNC might influence government policy. (2)

Define the term footloose multinational. (2)

Explain one reason why a business wants to become multinational. (2)

### ***Section C: Case study (20 marks)***

**Case:** AutoMotive Asia, an MNC, opens a factory in Country Y to be closer to a fast-growing market and to reduce transport costs. It provides training, but many senior roles are filled by expatriates.

1. Define the term host country. (2)
2. Explain two potential benefits of AutoMotive Asia to Country Y. (6)
3. Analyse why the impact on employment in Country Y might be less than expected. (6)

### ***Section D: Extended response (10 marks)***

Answer ONE question.

Discuss the reasons why a business might want to become a multinational. (10)

Evaluate the extent to which multinational tax avoidance harms host countries. (10)

# Answer Key + Markscheme

## **Section A Answers**

1. B
2. B
3. B
4. B
5. B
6. B
7. B
8. B
9. B
10. B

## **Section B Indicative Answers**

### **Define the term multinational company (MNC). (2)**

A multinational company has its headquarters in one country but owns/controls operations in multiple other countries.

### **Explain one way an MNC might influence government policy. (2)**

An MNC may lobby government, threaten to relocate investment/jobs, negotiate tax incentives, or use its economic importance to gain influence.

### **Define the term footloose multinational. (2)**

A footloose multinational can relocate operations to another country relatively easily if conditions such as taxes, wages, or regulation change.

### **Explain one reason why a business wants to become multinational. (2)**

Reasons include access to new markets, reducing costs (e.g., labour), securing raw materials, overcoming trade barriers, and risk diversification.

## **Section C Indicative Points**

Host country: where the MNC operates outside its home country. Benefits: jobs, investment, supplier growth, skills/training, better goods. Employment impact limited if capital-intensive production or expatriates fill skilled jobs; wages may leak abroad.

## **Section D Marking Guidance (10 marks)**

Level 1 (1–3): Limited knowledge; mostly descriptive; little/no judgement. Level 2 (4–6): Clear explanation with some analysis; relevant examples. Level 3 (7–8): Balanced analysis; good application; supported judgement. Level 4 (9–10): Strong evaluation; criteria-based judgement; well-developed arguments and counterarguments.