

# 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 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
2. An MNC might become multinational to:
  - A. Increase transport costs
  - B. Overcome trade barriers
  - C. Reduce market access
  - D. Avoid economies of scale
3. 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
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. 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
6. '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
7. 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
8. 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
9. 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

10. 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

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

Explain one benefit to a host country of welcoming an MNC. (2)

Define the term footloose multinational. (2)

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

Explain one disadvantage to a host country of welcoming an MNC. (2)

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

**Case:** GlobalBeverage Co is considering building a bottling plant in Country X, where wages are low and environmental regulation is weak. The government offers a tax holiday to attract the investment. Local communities want jobs but are concerned about water use and pollution.

1. Define the term foreign direct investment (FDI). (2)
2. Explain one benefit and one disadvantage to Country X of welcoming GlobalBeverage Co. (6)
3. Analyse how GlobalBeverage Co could create stakeholder conflict in Country X. (6)

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

Answer ONE question.

Evaluate the advantages and disadvantages to a host country of welcoming multinational companies. (10)

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

### **Explain one benefit to a host country of welcoming an MNC. (2)**

Benefits may include foreign direct investment, jobs, skills transfer, improved infrastructure, and increased competition/choice.

### **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.

### **Explain one disadvantage to a host country of welcoming an MNC. (2)**

Disadvantages may include environmental damage, limited employment if capital-intensive, profit repatriation, or footloose relocation.

## **Section C Indicative Points**

FDI: investment by a firm into productive assets in another country. Benefit: jobs, investment, skills, suppliers. Disadvantage: pollution/water depletion, profit repatriation, footloose risk. Conflict: community vs firm/government; jobs vs environment; taxes vs incentives.

## **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.