Q.P.CODE 57233

Final Year M.Com., Degree Examination

October / November 2015

(Directorate of Distance Education)

COMMERCE

DPB 530: Course-VII: International Business

Time : 3 Hours

Max. Marks (New Scheme): 80

Old Scheme: 70

Note:

a. Sections-A, B and C are common and compulsory for the students of both New and Old Schemes.

b. Section-D shall be answered by only the students under New Scheme (with 20 internal assessment marks)

Section - A (5x2=10 Marks)

Note: Answer all the sub-questions and each sub-question carries two marks. Answer to each sub-question shall be in not more than six sentences.

1. a) What are the major functions of international trade houses?

   b) Differentiate between International franchising and licensing.

   c) What is surveillance mode of scanning?

   d) Identify the central actors in international business.

   e) What is cultural shock?

Section - B (3x10=30 Marks)

Note: Answer any three questions and each question carries 10 marks. Answer to each question shall be in not more than five pages.

2. Write an analytical note on Factors Endowment Theory of International business.

3. Explain the factors influencing Foreign Investment Decisions.

4. What is transfer pricing ? Describe the motives behind manipulating transfer pricing by MNCs.

5. Explain the five planning modes given by Allaire and Firsirotu.

6. What is cross-cultural negotiation? Describe the styles in cross-cultural negotiations.

Section - C (2x15=30 Marks)

Note: Answer any two questions and each question carries 15 marks. Answer to each question shall be in not more than eight pages.

7. What is collaboration? Explain the forms of MNCs' collaborations with suitable examples.

8. Discuss the strategic alliances integrations and responsiveness in international business.

9. Read the following case carefully and answer the questions given at the end of the case.

It's an investment banker's dream come true - a complex, multilayered deal which culminates with a big buy-out. Swiss giant Holcim, the world's second-largest cement maker, is teaming up with Gujarat Ambuja Cements Ltd., (GACL) to bid for India's second - largest cement maker, ACC. At an open offer price of Rs. 370 per share, the deal is estimated to be worth Rs. 2,400 crore.

In a four - stage deal, Holcim will first acquire 40% ownership from the private equity investors in ACIL-AIG and GIC, the private equiry arm of the government of Singapore - for $ 200 million. In the second stage, the Zurich-based cement maker will invest $ 600 million in ACIL and hike its ownership to 67%. The remaining stake will be held by GACL with a put option to sell it to Holcim after 2006. The acquirer will also subscribe to preference shares worth Rs. 810 crore which can be redeemed after two years.

In the third stage, ACIL will make an open offer for 36.21% (6.92 crore shares) of ACC to hike its shareholding to 50.1%. In the fourth stage, it will invest the remaining Rs. 79 crore to buy the minority shareholders out of ACEL at Rs. 70 per share.

In all, Holcim will bring in FDI of $800 million in India, the biggest investment by a foreign cement major in the country. Once the transaction is completed, Gujarat Ambuja will double its indirect ownership to 16.5% in ACC from the current 8.5% and Holcim will gain majority control with 33.5%.

As per the deal, Holcim will control ACC's 18.2 million cement capacity and GACL will manage the 2 million tonne capacity of ACEL.

After the deal, 70% of the Indian cement market will be under the control of five companies and multinationals will control close to 20% of the market.

Post-transaction, both Holcim and GACL will compete in the country's western and the northern markets. ACC, with a market share of 14%, is the second largest domestic cement producer with capacity of 18.2 million tonnes spread across 15 plants, next to Grasim-Ultra Tech combine at 30 million tonnes and commanding a share of 26%. With a capacity of 13.5 million tonnes and market share of 12%, Ambuja is the third largest cement producer in India. India has a total production capacity of 140 million tonnes.

Meanwhile the Reserve Bank of India on Thursday notified that no further purchase of equity shares of Gujarat Ambuja Cement Ltd., (GACL) should be made on behalf of foreign institutional investors without its prior permission.

No purchases should be made through primary or secondary market as Gujarat Ambuja had reached the trigger limit of 28% of its paid up capital as the contribution from FII, the reserve Bank of India said in a release here.

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Questions:

(a) How did market react to Holcim / GACL deal with ACC?

(b) Explain the process of the acquisition deal.

(c) What was the impact of acquisition on the market share of Holcim and GACL?

(d) Why did RBI prohibit purchase of equity shares of GACL by FIIs?

Section - D (1x10=10 Marks)

Note: This Section is only for the students of NEW Scheme (with 20 internal assessment marks). Answer any ONE question and it carries 10 marks. Answer to the question shall be in not more than five pages.

10. Discuss the concept of co-ordination and commitment in MNCs.

11. Explain the nature and importance of international business.

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