

**International Business**  
**Midterm Exam Questions Spring 2022**

*This Mid-Term Assignment must be submitted into Canvas between 7:00 PM on Friday, April 29 and Monday, May 2 by 7:00PM*

This midterm exam is worth 25 points, consisting of the following 2 questions, weighted as shown:

**Questions:**

**#1 Worth 20 points:**

You are at a family birthday dinner when your younger brother Alex asks you to help him establish a company that seems very complex. He says that he is now a marketing specialist with a job at an Irvine producer of men's sports clothing and he is considering starting an international business. His plan is to export clothing to the U.S., the UK and the EU. The clothing will be made by a contract manufacturer in Cambodia to his specifications. Alex envisions the operations being headquartered in California, initially with three retail stores - one in Texas; one in London, England; and another retail store in Paris, France. Since he has never been to either of these foreign countries, he asks you to explain what factors to consider in planning this new "start-up" including:

- a. What is the best form of organization to use for this multinational type of operation including factors such as formation, stock ownership, board of directors, annual meetings, subsidiaries, income tax impacts, etc.?
- b. How will his lack of familiarity with the foreign locations impact the launch of this enterprise?
- c. Does finance and accounting need to be considered from the early stage of his planning; the meaning of "Financial Statements"; and why his friends tell him to borrow all the money he needs to finance the company
- d. The meaning and significance of internal control systems; and
- e. Any other factors of relevance.

**Write an essay explaining what you would tell Alex.**

**#2 – Worth 5 Points**

**Alex**, from Question #1, is very optimistic about this being a successful venture. He asks you the following question – "If, in say, 5 years I have a successful business with strong sales, profits and cash flow, what is the general rule on how to determine the value of my business at that time 5 years from now? Based on the material in your International Business class, can you give me some general rules on how to value an ongoing business?" He also asks you to explain the shortcomings of using GDP and growth of GDP as an indicator of how well an economy is performing and any other factor of significance

**Write an essay explaining what you would tell him.**

**END of Exam**