

Internationalization & Export Management (IEM 6CFU)

LEARNING ASSESSMENT

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DIPARTIMENTO DI STUDI
AZIENDALI E QUANTITATIVI
DIPARTIMENTO DI ECCELLENZA

PLEASE SELECT THE CORRECT ANSWER

1. Among the following what isn't a the key choice of internationalization process?
 - A. Time of entry
 - B. Scale of entry
 - C. Price risk
 - D. Entry mode

2. What are the advantage of direct export?
 - A. Timing
 - B. Lower cost
 - C. Lower commitment
 - D. Final market control

PLEASE SELECT THE CORRECT ANSWER

3. What is the right sequence of internationalization process ?
- A. Identification of target market, internal analysis, assessment of the risks, entry mode choice
 - B. internal analysis, assessment of the risks, Identification of target market, entry mode choice
 - C. internal analysis, Identification of target market, entry mode choice, assessment of the risks,
 - D. assessment of the risks, Identification of target market, entry mode choice, internal analysis
4. Among the followers, what isn't the price's risk hedging instrument?
- A. Currency option
 - B. Commodity option
 - C. Barter
 - D. Cap /floor price

OPEN QUESTIONS (ANSWERS)

- How currency risk can affect firms' profitability and hedging instruments

Currency risk, considered the risk connected with the variability of exchange rates, impacts companies that operate at international level. It produces three important effects :

- **Transaction risk:** exchange variation impacts the debts owed to and by companies in foreign currency;
- **Translation risk:** The variation in the exchange rate also impacts the actual countervalue of the financial statement items related to transactions in foreign currency;
- **Economic risk:** the exchange variation may impact the company's competitive position in a given market

Hedging instruments against currency risk can be traditional or innovative is made. Among the traditional, we have the invoicing in reporting currency; insurance and the establishment of defensive clauses. The most-used defensive clauses are the currency basket, the establishment of an exchange cap to the exporter's advantage, the establishment of an exchange floor to the buyer's advantage, and the possibility of establishing an exemption, and thus the possibility of using the established exchange up to a certain threshold. Moreover, companies can use derivative instruments, such as currency futures, currency option and currency swap.

OPEN QUESTIONS (ANSWERS)

➤ Please, describe how franchising can be used to international growth, focusing on advantages and disadvantages of this entry mode.

Through franchising, the franchiser sells intangible property (normally a trademark) to the international franchisee and insists that the franchisee agree to abide by strict rules as to how it does business.

Franchising is attractive because can avoid costs and risks of opening up a foreign market. However, the entry modes presents some disadvantages. Franchising is unattractive because it may inhibit the firm's ability to take profits out of one country to support competitive attacks in another the geographic distance of the firm from its foreign franchisees can make poor quality difficult for the franchisor to detect.

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