**Chapter 8: Supply Chain Design and Location Planning**

**Test Bank**

**Multiple Choice**

1. Which of the following is NOT a key advantage of locating a plant in Mexico?

a. China’s manufacturing wages are up to 30% lower than in Mexico.

b. The North American Free Trade agreement makes it easier.

c. Mexican manufacturers pay far less for natural gas than Chinese manufacturers.

d. Mexican businesses are able to take advantage of reduced transportation costs.

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Operations Profile: Mexico, the Next Great Automaker

Difficulty Level: Medium

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

2. In Aguascalientes, \_\_\_\_\_\_ built a 21 million square-foot factory.

a. Honda

b. Ford

c. Toyota

d. Nissan

Ans: D

Cognitive Domain: Comprehension (Understand)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Operations Profile: Mexico, the Next Great Automaker

Difficulty Level: Easy

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

3. The decisions about each of the following can be changed fairly easily except decisions related to \_\_\_\_\_\_.

a. transportation

b. where to locate facilities

c. inventory

d. information Sharing

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Supply Chain Design and Facility Location Decisions

Difficulty Level: Medium

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

4. A firm has no control over \_\_\_\_\_\_ factors that influence supply chain and location decisions.

a. technological

b. environmental

c. internal

d. infrastructural

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Factors That Affect Supply Chain and Location Decisions

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

5. Trade agreements such as \_\_\_\_\_\_ have made it attractive to companies to locate abroad.

a. FICO

b. GATT

c. PATT

d. WTA

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Factors That Affect Supply Chain and Location Decisions

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

6. Companies such as GM, GE, and Motorola have facilities in China and India mainly because of the \_\_\_\_\_\_.

a. tax incentives

b. well-established Infrastructure

c. lower labor costs

d. availability of natural resources

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Strategy: Lower the Firm’s Costs

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

7. Firms that focus on \_\_\_\_\_\_ often locate their facilities in reasonable proximity to the new market that they are planning.

a. accessing materials and resources

b. lowering the firm’s cost

c. growing the firm’s business

d. developing innovative products

Ans: C

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Strategy: Grow the Firm’s Business

Difficulty Level: Easy

AACSB: Analytical thinking (able to analyze and frame problems)

8. BMW, Mercedes-Benz, Lexus, and Acura have all built plants in North America because \_\_\_\_\_\_.

a. of tax incentives

b. they want to enhance their local market opportunities

c. of lower labor costs

d. of the establishment of European Union

Ans: B

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Strategy: Grow the Firm’s Business

Difficulty Level: Easy

AACSB: Analytical thinking (able to analyze and frame problems)

9. Many companies have been able to extend the life cycles of their \_\_\_\_\_\_ products by offering them in foreign countries.

a. mature

b. introductory

c. growth

d. decline

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Strategy: Grow the Firm’s Business

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

10. Which of the following is an example of a business that is often forced to relocate to tap into new supplies of resources?

a. automotive manufacturing plant

b. petroleum business

c. paper mill

d. retail store

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Strategy: Access New Sources of Materials and Resources

Difficulty Level: Easy

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

11. The phenomenon called \_\_\_\_\_\_ often occurs when there is a concentration of critical resources in a particular region.

a. clustering

b. grouping

c. categorization

d. classification

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Strategy: Access Talent in Order to Develop Innovative Products

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

12. \_\_\_\_\_\_ is an innovation hub for firms in the pharmaceutical industry.

a. Sweden

b. United States

c. Finland

d. Australia

Ans: B

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Strategy: Access Talent in Order to Develop Innovative Products

Difficulty Level: Medium

AACSB: Analytical thinking (able to analyze and frame problems)

13. Total Cost = \_\_\_\_\_\_.

a. (Fixed Cost) x (Production Volume) + (Variable Cost Per Unit)

b. (Fixed Cost) + (Production Volume) + (Variable Cost Per Unit)

c. (Fixed Cost) + (Production Volume) x (Variable Cost Per Unit)

d. (Fixed Cost) x (Production Volume) x (Variable Cost Per Unit)

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Breakeven Analysis

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

14. Many American companies have moved their headquarters abroad in order to escape \_\_\_\_\_\_.

a. property taxes

b. tax rebates

c. favorable tax rates

d. financial incentives

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Take Advantage of Favorable Financial, Legal, and Regulatory Environments

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

15. McDonald’s and \_\_\_\_\_\_ have enjoyed remarkable long-term success operating around the world.

a. Kroger

b. Kohl’s

c. Wal-Mart

d. Whataburger

Ans: C

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Why Supply Chain and Location Decisions Sometimes Backfire

Difficulty Level: Easy

AACSB: Analytical thinking (able to analyze and frame problems)

16. Supply chain and location decisions sometimes backfire because of all of the following except \_\_\_\_\_\_.

a. cultural issues

b. transportation issues

c. the potential loss of proprietary technology

d. location decisions are sequential and made in three stages

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Why Supply Chain and Location Decisions Sometimes Backfire

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

17. All of the following is true with regard to cultural issues when locating in foreign countries except \_\_\_\_\_\_.

a. it is critical to understand the religious and cultural practices in overseas locations

b. companies have to deal with gender differences in labor practices and in promoting products that can be sold to consumers

c. a firm’s managers need to be fluent in the foreign country’s language

d. it is critical to assume that every product will appeal to consumers in other cultures

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Cultural Issues

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

18. Many \_\_\_\_\_\_ are not uncovered until the products reach the hands of consumers.

a. transportation Issues

b. quality and safety issues

c. currency and exchange rate risks

d. import/export restrictions

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Product Quality and Safety Problems

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

19. Which of the following is NOT an example of logistical and transportation problems faced by companies that have operations in overseas locations?

a. congestion in ports

b. security risks from terrorism

c. dock strikes

d. risk of demand uncertainty

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Transportation Issues

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

20. \_\_\_\_\_\_ is a reduction in the value of the currencies.

a. Inflation

b. Deflation

c. Distention

d. Devaluation

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Currency and Exchange Rate Risks

Difficulty Level: Medium

AACSB: Analytical thinking (able to analyze and frame problems)

21. The United States has \_\_\_\_\_\_ the amount of steel and lumber that can be \_\_\_\_\_\_ in order to prevent the domestic producers from being pushed out of the market.

a. restricted, exported

b. relaxed, manufactured

c. restricted, imported

d. relaxed, imported

Ans: C

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Import/Export Restrictions

Difficulty Level: Medium

AACSB: Analytical thinking (able to analyze and frame problems)

22. In reference to protection of private and intellectual property rights, IPRI stands for \_\_\_\_\_\_.

a. Intellectual Property Rights Index

b. Internal Property Rights Index

c. International Proprietary Reference Index

d. International Property Rights Index

Ans: D

Cognitive Domain: Comprehension (Understand)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: The Potential Loss of Proprietary Technology

Difficulty Level: Hard

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

23. There are \_\_\_\_\_\_ Phases in the Supply Chain Design and Location Decision-Making Process.

a. three

b. five

c. four

d. two

Ans: C

Cognitive Domain: Comprehension (Understand)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Phases in the Supply Chain Design and Location Decision-Making Process

Difficulty Level: Easy

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

24. Phase II of the supply chain design and facility location process is to \_\_\_\_\_\_.

a. determine the configuration of regional facilities

b. design the supply chain

c. determine location choices

d. select potential sites for locating facilities

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Phases in the Supply Chain Design and Location Decision-Making Process

Difficulty Level: Easy

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

25. Phase III of the supply chain design and facility location process is to \_\_\_\_\_\_.

a. determine the configuration of regional facilities

b. determine location choices

c. design the supply chain

d. select potential sites for locating facilities

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Phases in the Supply Chain Design and Location Decision-Making Process

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

26. The second input to supply chain design is \_\_\_\_\_\_.

a. the firm’s operational strategy

b. the forecast of the potential global competition that is likely to exist in each of the firm’s markets

c. the firm’s competitive strategy

d. the identification of any internal constraints on its available capital

Ans: B

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Phase I: Design the Supply Chain

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

27. The third input to supply chain design is \_\_\_\_\_\_.

a. the firm’s operational strategy

b. the identification of any internal constraints

c. the forecast of the potential global competition

d. the firm’s competitive strategy

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Phase I: Design the Supply Chain

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

28. If customer requirements vary, the firm would need \_\_\_\_\_\_.

a. a few large consolidated facilities

b. several smaller localized facilities

c. a few smaller localized facilities

d. several large consolidated facilities

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Phase II: Determine the Configuration of Regional Facilities

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

29. The overall objective of Phase II in the supply chain design and facility location process includes all of the following except \_\_\_\_\_\_.

a. the regions where the facilities will be located

b. the availability of the necessary infrastructure

c. the role each facility would play in meeting the market requirements

d. the number of facilities needed for the supply chain

Ans: B

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Phase II: Determine the Configuration of Regional Facilities

Difficulty Level: Medium

AACSB: Analytical thinking (able to analyze and frame problems)

30. Once the firm decides on the regions where facilities would be located (in Phase III), it must then \_\_\_\_\_\_.

a. determine the configuration of regional facilities

b. identify any internal constraints on its available capital

c. identify potential sites within each region for setting up these facilities

d. determine if the firm’s future growth can be accomplished with its existing facilities

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Phase III: Select Potential Sites for Locating Facilities

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

31. The objective in the last phase of the supply chain design and facility location process is to \_\_\_\_\_\_.

a. consider the availability of the necessary infrastructure

b. determine the number of facilities needed for the supply chain

c. come up with a final supply chain design that will maximize the profits for the company

d. determine the role each facility would play in meeting the market requirements

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Phase IV: Choose Locations

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

32. Location decisions are \_\_\_\_\_\_.

a. nonsequential

b. made in four stages

c. made in six steps

d. sequential

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Phase IV: Choose Locations

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

33. Stage 2 in the location decision is to select the \_\_\_\_\_\_.

a. country

b. city

c. site

d. region

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Phase IV: Choose Locations

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

34. In Stage 1 of location decisions, the choice of a country generally depends on all of the following except \_\_\_\_\_\_.

a. market conditions

b. economic conditions

c. environmental restrictions

d. the legal system

Ans: C

Cognitive Domain: Comprehension (Understand)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Stage 1: Select the Country

Difficulty Level: Medium

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

35. For location decisions, in contrast to service companies manufacturing firms generally look for \_\_\_\_\_\_.

a. revenues

b. cost minimization

c. volumes sold

d. traffic volumes and patterns

Ans: B

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Stage 3: Select the Site

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

36. A critical success factor at Stage 1 of location decisions is \_\_\_\_\_\_.

a. proximity to raw materials

b. transportation costs

c. space to expand

d. proximity to markets

Ans: B

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Table 8.1: Critical Success Factors at the Location Decision Stages

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

37. A critical success factor at Stage 2 of location decisions is \_\_\_\_\_\_.

a. space to expand

b. visibility and traffic patterns

c. availability and cost of utilities

d. construction and land costs

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Table 8.1: Critical Success Factors at the Location Decision Stages

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

38. All of the following are critical success factors at Stage 3 of location decisions except \_\_\_\_\_\_.

a. size of site

b. visibility and traffic patterns

c. labor climate

d. space to expand

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Table 8.1: Critical Success Factors at the Location Decision Stages

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

39. With regard to location, which of the following is NOT true?

a. Companies seldom find an ideal location.

b. Companies typically find several satisfactory or acceptable locations to choose from.

c. Location decisions are nonsequential.

d. Location decisions are made in three stages.

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Table 8.1: Critical Success Factors at the Location Decision Stages

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

40. Which of the following is a more advanced quantitative technique for location analysis?

a. breakeven analysis

b. factor rating method

c. the transportation method

d. center-of-gravity method

Ans: C

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Analytical Methods for Evaluating Locations

Difficulty Level: Medium

AACSB: Analytical thinking (able to analyze and frame problems)

41. Which of the following is true with regard to factor rating method?

a. Rate the importance of each factor on a scale of 1 to 5 (with 1 being low and 5 being very highly important).

b. Identify the one factor that is common to all locations.

c. For each factor and each location, compute a score by summing the factor rating and the location rating.

d. The location with the highest subjective rating is chosen.

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: The Factor Rating Method

Difficulty Level: Medium

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

42. By performing a \_\_\_\_\_\_, we can find the location that has lowest total cost for a given volume range.

a. factor rating method

b. breakeven analysis

c. center-of-gravity method

d. GIS method

Ans: B

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: Breakeven Analysis

Difficulty Level: Easy

AACSB: Analytical thinking (able to analyze and frame problems)

43. The \_\_\_\_\_\_ is a quantitative technique used to determine the location of a single warehouse or distribution center in order to minimize its distribution costs.

a. breakeven analysis

b. factor rating method

c. center-of-gravity method

d. GIS method

Ans: C

Cognitive Domain: Comprehension (Understand)

Learning Objective: 8-5. Describe how both manufacturers and service organizations formulate and evaluate their supply chain strategies.

Answer Location: The Center-of-Gravity Method

Difficulty Level: Medium

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

44. The center-of-gravity method assumes that distribution costs are a linear function of \_\_\_\_\_\_.

a. distance and quantity shipped

b. weight of a product and quantity shipped

c. distance and speed

d. quantity shipped and speed

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-5. Describe how both manufacturers and service organizations formulate and evaluate their supply chain strategies.

Answer Location: The Center-of-Gravity Method

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

45. The GIS method in location decisions stands for \_\_\_\_\_\_.

a. global information system

b. geometric information system

c. geographic information system

d. global information service

Ans: C

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-2. List and describe the phases in the supply chain design and location decision-making process.

Answer Location: The GIS (Geographic Information System) Method

Difficulty Level: Medium

AACSB: Analytical thinking (able to analyze and frame problems)

46. \_\_\_\_\_\_ result from choices that companies have to make between doing what is right and doing what is good for business.

a. Sustainability questions

b. Ethical dilemmas

c. Cultural issues

d. Legal issues

Ans: B

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-5. Describe how both manufacturers and service organizations formulate and evaluate their supply chain strategies.

Answer Location: Ethical and Sustainability Issues

Difficulty Level: Easy

AACSB: Analytical thinking (able to analyze and frame problems)

47. Intangible costs include \_\_\_\_\_\_.

a. distribution costs

b. utilities cost

c. lack of customer responsiveness to the company’s business

d. taxes

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-5. Describe how both manufacturers and service organizations formulate and evaluate their supply chain strategies.

Answer Location: Global Location Planning

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

48. Mexico is poised to become the largest auto manufacturing location in the world, thanks to its \_\_\_\_\_\_.

a. infrastructure

b. political environment

c. liberal free trade policies

d. legal system

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Global Location Planning

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

49. Which of the following is NOT an analytical method managers use to evaluate locations?

a. factor rating method

b. breakeven analysis

c. center-of-gravity method

d. geometric analysis system

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Analytical Methods for Evaluating Locations

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

50. In Step 2 of breakeven analysis, plot the \_\_\_\_\_\_ on the vertical axis and the \_\_\_\_\_\_ on the horizontal axis.

a. fixed costs, variable costs

b. total costs, annual production volume

c. annual production volume, variable costs

d. variable costs, fixed costs

Ans: B

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Breakeven Analysis

Difficulty Level: Medium

AACSB: Analytical thinking (able to analyze and frame problems)

51. The factor rating method has \_\_\_\_\_\_ steps.

a. five

b. seven

c. six

d. eight

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 8-5. Describe how both manufacturers and service organizations formulate and evaluate their supply chain strategies.

Answer Location: The Factor Rating Method

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

52. Which of the following is NOT a decision that has to do with supply chains?

a. what and how much of a product to produce at each stage of the supply chain process

b. how much inventory is to be held at each stage

c. how and what type of information should be shared among supply chain partners

d. what price to be charged for products

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 8-5. Describe how both manufacturers and service organizations formulate and evaluate their supply chain strategies.

Answer Location: Supply Chain Design and Facility Location Decisions

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

53. Which of the following is a supply chain decision that is not easy to change?

a. the decision about transportation

b. the decision about location

c. the decision about information sharing

d. the decision about inventory

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 8-5. Describe how both manufacturers and service organizations formulate and evaluate their supply chain strategies.

Answer Location: Supply Chain Design and Facility Location Decisions

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

54. Which of the following is LEAST likely to influence location decisions?

a. environmental conditions

b. technological factors

c. production technologies

d. employment levels in economy

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 8-5. Describe how both manufacturers and service organizations formulate and evaluate their supply chain strategies.

Answer Location: Supply Chain Design and Facility Location Decisions

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

55. Which of the following is NOT a political factor?

a. political stability of a country

b. the existence of well-established legal system

c. rules of commerce

d. humanitarian requirements

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Competitive Strategies That Affect Supply Chain and Location Decisions

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

56. Which of the following may NOT be considered a firm’s competitive strategy?

a. lowering the firm’s costs

b. growing the firm’s business

c. avoiding quality inspections

d. accessing new sources of materials and resources

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Factors That Affect Supply Chain and Location Decisions

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

57. Clustering occurs where \_\_\_\_\_\_.

a. there is a concentration of critical resources in a particular region

b. population is sparse

c. there are not many consumers

d. government requires production facilities to be located

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Factors That Affect Supply Chain and Location Decisions

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

58. Which of the following is NOT a drawback associated with global supply chain design and location?

a. cultural issues

b. product quality and safety problems

c. transportation issues

d. lack of demand for product

Ans: D

Cognitive Domain: Comprehension (Understand)

Learning Objective: 8-5. Identify the factors that can influence the choice of global locations.

Answer Location: Why Supply Chain and Location Decisions Sometimes Backfire

Difficulty Level: Easy

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

59. Devaluation refers to \_\_\_\_\_\_.

a. reduction in the value of a currency

b. drop in market value for a company

c. reduction in the price of a product

d. loss of market share for a product

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 8-5. Identify the factors that can influence the choice of global locations.

Answer Location: Currency and Exchange Rate Risks

Difficulty Level: Easy

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

60. Which of the following is considered to be an exchange rate risk?

a. devaluation

b. loss of market share

c. failure of supplier to deliver

d. obsolescence

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 8-5. Identify the factors that can influence the choice of global locations.

Answer Location: Currency and Exchange Rate Risks

Difficulty Level: Easy

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

61. Restrictions to prevent foreign producers from dumpling low-cost lumber and steel in the United States are considered to be \_\_\_\_\_\_.

a. government inspections

b. market risks

c. import restrictions

d. exchange rate risks

Ans: C

Cognitive Domain: Comprehension (Understand)

Learning Objective: 8-5. Identify the factors that can influence the choice of global locations.

Answer Location: Import/Export Restrictions

Difficulty Level: Easy

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

62. Which of the following is an industry where violations of intellectual property rights are still prevalent in China?

a. electronics industry

b. food-retailing industry

c. book-publishing industry

d. furniture-making industry

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-5. Identify the factors that can influence the choice of global locations.

Answer Location: The Potential Loss of Proprietary Technology

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

63. Which of the following is NOT a step in the supply chain design and location decision-making process?

a. Design the supply chain.

b. Determine the configuration of regional facilities.

c. Identify the market for its products.

d. Select potential sites for locating facilities.

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-5. Identify the factors that can influence the choice of global locations.

Answer Location: Phases in the Supply Chain Design and Location Decision-Making Process

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

64. Which of the following is NOT a critical success factor in locating facilities in the service sector?

a. proximity of competitors

b. convenient access for customers

c. traffic volumes and patterns

d. frequency of government inspections

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-5. Identify the factors that can influence the choice of global locations.

Answer Location: Stage 3: Select the Site

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

65. Which of the following is NOT a critical success factor associated with the decision to locate in a particular country?

a. markets and customer proximity

b. proximity to suppliers and resources

c. competitors’ locations

d. customer safety

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-5. Identify the factors that can influence the choice of global locations.

Answer Location: Table 8.1: Critical Success Factors at the Location Decision Stages

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

66. Which of the following is NOT a critical success factor associated with the decision to locate in a particular region?

a. proximity to markets

b. proximity to raw materials

c. space to expand

d. availability and cost of utilities

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-5. Identify the factors that can influence the choice of global locations.

Answer Location: Table 8.1: Critical Success Factors at the Location Decision Stages

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

67. Which of the following is NOT a critical success factor associated with the decision to locate on a particular site?

a. size of site

b. proximity to raw materials

c. construction and land costs

d. zoning and environmental restrictions

Ans: B

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-5. Identify the factors that can influence the choice of global locations.

Answer Location: Table 8.1: Critical Success Factors at the Location Decision Stages

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

68. Which of the following is a model used to evaluate a location?

a. Pareto analysis

b. center-of-gravity method

c. clustering technique

d. cause-and-effect diagram

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Analytical Methods for Evaluating Locations

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

69. When we use breakeven analysis to find a location for a manufacturing facility, we take into account \_\_\_\_\_\_.

a. revenues

b. profits

c. costs

d. production quality

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Analytical Methods for Evaluating Locations

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

70. Which of the following is true with regard to fixed costs and variable costs?

a. Fixed costs are those costs that remain constant regardless of the volume produced.

b. Variable costs are those costs that remain constant irrespective of the output level.

c. Variable costs are those costs that remain constant regardless of the time of manufacture.

d. Variable costs are those costs that remain constant regardless of the price of the product.

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Analytical Methods for Evaluating Locations

Difficulty Level: Medium

AACSB: Analytical thinking (able to analyze and frame problems)

71. Which of the following is NOT a contributor to distribution costs?

a. the weight of a product

b. the quantity of it shipped

c. the distance the product must travel

d. the quality of the product shipped

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Analytical Methods for Evaluating Locations

Difficulty Level: Easy

AACSB: Analytical thinking (able to analyze and frame problems)

72. Which of the following is true of the center-of-gravity method used to evaluate a location?

a. It is a qualitative technique.

b. It assumes that distribution costs are a linear function of only the distance and the quantity shipped.

c. It makes use of satellite and geographic positioning systems.

d. It ignores distribution costs.

Ans: B

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Analytical Methods for Evaluating Locations

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

73. Which of the following is NOT a relevant question for a firm in terms of sustainability?

a. Is the facility in the right location for protecting natural resources?

b. Does the facility have an efficient transportation infrastructure that can help minimize transportation activities in order to reduce carbon emissions?

c. Does the facility have access to renewable energy sources, such as wind and solar energy?

d. Is the product priced appropriately for its target market?

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-4. Identify the effect of sustainability and ethics on the location decisions of firms and supply chains.

Answer Location: Ethical and Sustainability Issues

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

74. Which of the following is NOT a relevant question for a firm in terms of sustainability?

a. Does the facility have access to fossil fuels?

b. Does the facility have access to recycling opportunities for the company’s waste?

c. Does the facility meet all applicable environmental laws and regulations?

d. Is the facility cost effective, given that the location is sustainable?

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-4. Identify the effect of sustainability and ethics on the location decisions of firms and supply chains.

Answer Location: Ethical and Sustainability Issues

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

75. Which of the following is a consequence of NAFTA?

a. Hundreds of thousands of American jobs were lost.

b. U.S. manufacturers who had their manufacturing plants in Mexico moved them back to the United States.

c. Prices of many products manufactured in Canada fell significantly.

d. Mexican companies lost market share to European manufacturers.

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-4. Identify the effect of sustainability and ethics on the location decisions of firms and supply chains.

Answer Location: Ethical and Sustainability Issues

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

76. Which of the following is NOT a consequence faced by Detroit as a result of foreign competition and outsourcing?

a. a serious budget deficit

b. declining services

c. high levels of unemployment

d. alarming levels of industrial pollution

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-4. Identify the effect of sustainability and ethics on the location decisions of firms and supply chains.

Answer Location: Ethical and Sustainability Issues

Difficulty Level: Medium

AACSB: Analytical thinking (able to analyze and frame problems)

77. Which of the following is NOT a consequence faced by companies that relocate their facilities?

a. relocation costs

b. bad publicity

c. drop in market share

d. loss of goodwill from consumers

Ans: C

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-4. Identify the effect of sustainability and ethics on the location decisions of firms and supply chains.

Answer Location: Ethical and Sustainability Issues

Difficulty Level: Medium

AACSB: Analytical thinking (able to analyze and frame problems)

78. Which of the following is NOT a factor that influences the choice of a global location?

a. host country market size

b. total cost

c. infrastructure

d. lead time

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Global Location Planning

Difficulty Level: Easy

AACSB: Analytical thinking (able to analyze and frame problems)

79. Which of the following is NOT a factor that influences the choice of a global location?

a. political risk

b. governmental regulations

c. ISO requirements

d. free trade zones

Ans: C

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Global Location Planning

Difficulty Level: Easy

AACSB: Analytical thinking (able to analyze and frame problems)

80. Which of the following is NOT an industry that would need to relocate due to depleted raw materials or natural resources?

a. mining

b. fishing

c. logging

d. bicycle manufacturing

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Strategy: Access New Sources of Materials and Resources

Difficulty Level: Easy

AACSB: Analytical thinking (able to analyze and frame problems)

81. Which of the following is NOT a factor that impacts supply chain and location decisions?

a. economies of scale

b. costs associated with production technologies

c. product requirements in different markets

d. ISO certification requirements

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Factors That Affect Supply Chain and Location Decisions

Difficulty Level: Easy

AACSB: Analytical thinking (able to analyze and frame problems)

82. Which of the following is NOT a commerce restriction?

a. taxes

b. tariffs

c. price

d. quotas

Ans: C

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Factors That Affect Supply Chain and Location Decisions

Difficulty Level: Easy

AACSB: Analytical thinking (able to analyze and frame problems)

83. Which of the following is a factor that is MOST likely to influence the choice of a location for a global manufacturing plant?

a. price of the product

b. ISO certification requirements

c. possibility of government audits

d. applicability of tariffs

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Factors That Affect Supply Chain and Location Decisions

Difficulty Level: Easy

AACSB: Analytical thinking (able to analyze and frame problems)

84. The ability of an organization to transfer its earnings to another country is an example of \_\_\_\_\_\_.

a. environmental factors

b. political factors influencing location decisions

c. commerce restrictions

d. technological factors

Ans: B

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Factors That Affect Supply Chain and Location Decisions

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

85. The lack of a legal system that enforces copyrights and patents has \_\_\_\_\_\_.

a. prevented many international firms from entering the Chinese market

b. encouraged many firms to exit the U.S. market

c. led to the formation of trade areas such as NAFTA

d. cost many companies a significant portion of their market share in Mexico

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Factors That Affect Supply Chain and Location Decisions

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

86. Which of the following is NOT an industry where Venezuelan government has seized private commercial property?

a. banks

b. power companies

c. pharmaceuticals

d. gold mines

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Factors That Affect Supply Chain and Location Decisions

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

87. The number of locations a firm needs and their sizes depend on \_\_\_\_\_\_.

a. government regulations

b. ISO certification standards

c. target markets

d. employee preferences

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Factors That Affect Supply Chain and Location Decisions

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

88. Facilities management refers to \_\_\_\_\_\_.

a. selecting the best locations and planning for the optimal manufacturing or service capacity

b. managing the layouts of distribution centers at major retailers such as Wal-Mart

c. organizing the recruitment and staffing at retail centers

d. arranging for the storage of raw materials at intermediate points on the transportation route

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Factors That Affect Supply Chain and Location Decisions

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

89. Firms that focus on market growth often \_\_\_\_\_\_.

a. locate their facilities in reasonable proximity to the new market that they are planning to enter

b. relocate the manufacturing plant to be closer to shifting market areas

c. ensure that the product packaging is frequently redesigned to accommodate new markets

d. identify new sources of raw materials closer to new markets

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Strategy: Access New Sources of Materials and Resources

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

90. Shortage of what material has forced many steel companies to prospect for new locations worldwide?

a. aluminum

b. bauxite

c. iron-ore

d. plastic

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-3. Describe and compare the analytical methods managers use to evaluate locations.

Answer Location: Strategy: Access New Sources of Materials and Resources

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

91. A concentration of firms in a particular location is called \_\_\_\_\_\_.

a. an association

b. a concentration

c. a grouping

d. a clustering

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Strategy: Access Talent in Order to Develop Innovative Products

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

92. Which of the following is NOT associated with a grouping of firms in a particular location?

a. It is referred to as clustering.

b. It often occurs when there is a concentration of critical resources in a particular region.

c. Firms are located where there is a large talent pool of scientists and engineers.

d. It contributes to the notion of sustainability.

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Strategy: Access Talent in Order to Develop Innovative Products

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

93. Which of the following is NOT an example of incentives offered by governments to encourage firms to relocate?

a. guaranteed purchase of company’s products

b. favorable corporate income tax

c. less restrictive labor laws

d. favorable property tax

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Strategy: Access Talent in Order to Develop Innovative Products

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

94. Which of the following is associated with the need for cultural sensitivity by a company?

a. understanding cultural practices in a particular location

b. understanding religious practices in a particular location

c. understanding nuances of language in a particular location

d. understanding government requirements in a particular location

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Strategy: Access Talent in Order to Develop Innovative Products

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

95. Which of the following is associated with the need for cultural sensitivity by a company?

a. dealing with gender differences in labor practices

b. promoting products that can be sold to consumers

c. hiring women for certain factory jobs in some countries

d. dealing with product specifications mandated by the local government

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Strategy: Access Talent in Order to Develop Innovative Products

Difficulty Level: Easy

AACSB: Analytical thinking (able to analyze and frame problems)

96. Which of the following is NOT associated with workers in low-cost manufacturing countries?

a. Workers lack adequate supervision needed to produce safe, high-quality products.

b. Workers lack the training needed to produce safe, high-quality products.

c. Workers are often under pressure to meet stringent output and time deadlines.

d. Workers are not affected by differences in cultural attitudes.

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-1. Discuss the factors that affect supply chain design and facility location decisions.

Answer Location: Product Quality and Safety Problems

Difficulty Level: Easy

AACSB: Analytical thinking (able to analyze and frame problems)

97. Which of the following is NOT a logistical and transportation problem experienced by companies with operations in overseas locations?

a. congestion in ports

b. dock strikes

c. lack of product demand

d. risk of piracy

Ans: C

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-5. Identify the factors that can influence the choice of global locations.

Answer Location: Product Quality and Safety Problems

Difficulty Level: Easy

AACSB: Analytical thinking (able to analyze and frame problems)

98. For global corporations with facilities in a foreign country, the devaluation of that country’s currency frequently results in \_\_\_\_\_\_.

a. lower revenues and profits

b. decline in product demand

c. loss of market share

d. increase in lead time

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-5. Identify the factors that can influence the choice of global locations.

Answer Location: Currency and Exchange Rate Risks

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

99. Which of the following is NOT an economic problem that a country whose currency has been devalued can experience?

a. inflation

b. unstable financial markets

c. recession

d. drop in product quality

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-5. Identify the factors that can influence the choice of global locations.

Answer Location: Currency and Exchange Rate Risks

Difficulty Level: Medium

AACSB: Analytical thinking (able to analyze and frame problems)

100. The dumping of goods by foreign producers is intended to \_\_\_\_\_\_.

a. capture market share quickly

b. drive domestic producers out of the market

c. quickly increase product price

d. influence the elasticity of demand

Ans: B

Cognitive Domain: Analysis (Analyze)

Learning Objective: 8-5. Identify the factors that can influence the choice of global locations.

Answer Location: Import/Export Restrictions

Difficulty Level: Medium

AACSB: Analytical thinking (able to analyze and frame problems)