March 2014

Master of Business Administration (MBA) Examination

I Semester

Business Environment

Time 3 Hours] [Max. Marks 80

Note : Attempt any four questions from Section A and Section B is compulsory.

Section A

1. Discuss the role of technological factors in business environment and also explain its impact on internationalizing the business activities.
2. Explain the concept of foreign trade policy and fiscal policy.
3. Critically examine the impact of globalization in India.
4. What do you mean by foreign exchange market mechanism ? How exchange rate can be determined ?
5. Elaborate the concepts of monopoly, oligopoly and non-price competition.
6. Write short notes on any two of the following :
   (a) Revealed preference approach and demand forecast.
   (b) Challenges of Indian Economy.
   (c) NGO Sector in India.
   (d) Trend Barriers and Trend Strategy.

Section B

7. Solve and analyze following case.

THE SWAP

The Economic Times, 22 October 2000, reported that Reliance Industries entered into a swap deal for the export and import of 36 cargoes of naphtha over the next six months. Accordingly, three cargoes of 50,000 tonnes each were to be exported every month from Reliance Petroleum's Jamnagar refinery and three cargoes of the same amount were to be imported to the Reliance Industries' Hazira facility. The deal was done through Japanese traders Mitsubishi, Marubeni, Itochu, IdCmitsu and Shell. The export was done at around Arabian Gulf prices plus $22.

http://www.davvonline.com

Reliance, needs petrochemical grade naphtha for its Hazira facility which is not being produced at Jamnagar. Therefore, its cracker at Hazira gets petrochemical grade naphtha from the international markets in return for Reliance Petroleum selling another grade of naphtha from its Jamnagar refinery to the international oil trade.

If RIL imports naphtha for Hazira petrochemical plant, the company does not have to pay the 24 per cent sales tax. which it will have to pay on a local purchase, even if it is from Reliance Petro. Besides, Reliance Petro will also get a 10 per cent duty drawback on its crude imports if it exports naphtha from the refinery at Jamnagar.

The export of naphtha with Japanese traders is being looked as a coup for Reliance as it gives the company an entry into the large Japanese market.

Indian refineries have a freight advantage over the Singapore market and can quote better prices.

Questions :

1. Examine the internal and external factors behind Reliance's decision for the swap deal.
2. What environmental changes could make swap deal unattractive in future ?
3. Could there be any strategic reason behind the decision to import and export naphtha ?
4. Should Reliance import and export naphtha even if it does not provide any profit advantage?

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