

Syllabus reference

Analyse risks arising from international operations such as cultural differences and differences between legal systems (no specific real country will be tested)

Question 1

Company PWJ is a sustainable bedroom furniture manufacturer based in Country WK. Company PWJ's CEO has suggested that it should start selling its output in neighbouring Country CN and possibly open a factory there too. Other board members are concerned that the number of significant differences between Country WK and Country CN will cause the proposed strategy to fail.

These board members have identified the following differences that need to be considered when deciding whether to expand into Country CN:

- i. All new consumer products that will be used in the home need to undergo rigorous testing by Country CN's health and safety regulators
- ii. Due to some poor infrastructure, the electricity supply is less reliable in Country CN than in Country WK
- iii. Country CN's population is increasingly concerned with the amount of waste being sent to landfills
- iv. Country CN's government has signalled that it is considering passing new legislation relating to import tariffs from Country WK

Which of these differences would be the MOST important for the board of directors at Company PWJ to consider when deciding whether to expand into Country CN?

- A. i. and ii.
- B. ii., iii. and iv.
- C. i., ii. and iii.
- D. i. and iv.