

[Time: 3 Hours]

[Marks: 100]

- N.B.: 1. All the questions are compulsory.
2. Draw need diagrams wherever necessary.
3. Figures to the right indicate full marks.

- Q1 A Choose the correct answer from the given options and rewrite the statements. (Any 10) 10
- 1 Ricardo's theory of international trade is based on _____.
a) Absolute advantage b) Comparative advantage
c) Opportunity cost d) Economies of scale
 - 2 Heckscher-Ohlin theory emphasizes _____.
a) Technological differences b) Market imperfections
c) Factor endowments d) Monopoly power
 - 3 Reciprocal demand is expressed through _____.
a) Supply curve b) Demand curve
c) Aggregate curve d) Offer curve
 - 4 Which of the following commercial policy restricts imports?
a) Free trade policy b) Expansionary policy
c) Protectionist policy d) Fiscal policy
 - 5 _____ is a type of non - tariff barrier.
a) Specific duties b) Export duties
c) Import duties d) Import quotas
 - 6 ASEAN is primarily an organization of _____ countries.
a) European b) South Asian
c) African d) Southeast Asian
 - 7 _____ account of BOP records the exports and imports of goods only.
a) Capital account b) Current account
c) Trade account d) Errors and omissions
 - 8 _____ disequilibrium of BOP is chronic in nature.
a) Cyclical b) Structural
c) Monetary d) Fundamental
 - 9 Under WTO, TRIMs cover _____.
a) Investment in Services goods b) Investments in trade related
c) Patents d) Foreign aid
 - 10 Foreign exchange market determines _____.
a) Tax rates b) Exchange rate
c) Inflation rate d) Employment level
 - 11 _____ operate in foreign exchange market to make risk-less profit.
a) Bidders b) Hedgers
c) Arbitraders d) Speculators
 - 12 Managed floating exchange rate system in India is monitored by _____.
a) Ministry of Commerce b) RBI

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c) Finance Commission

d) SEBI

- B State whether the following statements are True or False (Any 10)** 10
- 1 Comparative advantage explains international trade even when one country is more efficient in production of all goods.
 - 2 Factor intensity is measured in relative terms.
 - 3 The concept of reciprocal demand was introduced by J.S Mill.
 - 4 Free trade allows unrestricted movement of goods across borders.
 - 5 Quotas are a type of tariff barrier.
 - 6 ASEAN was formed to promote political and economic co-operation.
 - 7 The current account balance records long-term transactions of the country.
 - 8 TRIMS deals with investment measures related to trade.
 - 9 Most favoured nations (MFN) under WTO implies that some countries have more advantage in trade.
 - 10 Foreign exchange is demanded for exporting products.
 - 11 Forward exchange rate ensures immediate delivery.
 - 12 Hedging operation helps the participants to cover the risks.

Q.2 Attempt any Two questions from the following. 15

- A Explain Ricardo's Theory of Comparative cost difference.
- B What do you mean by Terms of Trade? Explain in detail i) Net barter terms of Trade and ii) Gross barter terms of trade.
- C Explain the determination of Terms of Trade with the help of Offer Curves.

Q.3 Attempt any Two questions from the following. 15

- A What is free trade? Examine the arguments for free trade.
- B What are tariffs? Examine different effects of tariffs.
- C Discuss the various types of economic integration.

Q.4 Attempt any Two questions from the following. 15

- A Explain the structure of the Balance of Payments.
- B Explain the various types of disequilibrium in the Balance of Payments.
- C Explain the causes of disequilibrium in the Balance of Payments.

Q.5 Attempt any Two questions from the following. 15

- A Explain the determination of equilibrium rate of exchange under free market.
- B Explain Purchasing Power Parity Theory of exchange rate determination.
- C Explain the role of the Central Bank in foreign exchange rate management

Q.6 Write short notes on any four of the following. 20

- A Limitations of Modern Theory of International Trade
- B Advantages of protection
- C Objectives of EU
- D Recent developments in TRIPS
- E Functions of Foreign exchange market
- F Spot and forward exchange rates
