

Time: 3 hours

Marks: 100

- N.B.
1. All questions are compulsory
 2. Figures to the right indicate full marks.
 3. Draw a neat diagram wherever necessary.

Q1 A) Select the correct answers and rewrite the statements (Any 10)

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- i. According to Ricardo, international trade is beneficial under
 - a. Absolute cost
 - b. Comparative cost
 - c. Equal differences in cost
 - d. Hidden cost
- ii. According to Heckscher and Ohlin basic cause of international trade is:
 - a. Difference in factor endowments
 - b. Difference in markets
 - c. Difference in political systems
 - d. Difference in ideology
- iii. The concept of offer curve to explain the gains from trade was introduced by
 - a. J M Keynes
 - b. Marshall and Edgeworth
 - c. J S Mill
 - d. Adam Smith
- iv. Which one of the following is an argument for free trade?
 - a. Protects domestic industries
 - b. Promotes self sufficiency
 - c. Helps diversification of industries
 - d. Promotes efficient allocation of world resources
- v. A tariff expressed as either a specific or an ad valorem rate, whichever is higher, is known as
 - a. General tariff
 - b. Mixed tariff
 - c. Compound tariff
 - d. Countervailing tariff.
- vi. _____ is one of the disadvantages of international economic integration.
 - a. Cross-border investment flows
 - b. Employment generation
 - c. Increasing interdependence
 - d. Conflict resolution
- vii. The current account of balance of payment does not include
 - a. Balance of visible trade
 - b. Import of services
 - c. Unilateral services
 - d. Foreign investment

- viii. Which of the following is not a non-monetary measure to correct the disequilibrium in BOP?
- Tariff
 - Import quotas
 - Export promotion
 - Devaluation
- ix. WTO incorporates proposal made by _____
- Arthur Dunkel
 - Adam Smith
 - Keynes
 - Ricardo
- x. A forward rate agreement helps the user to _____
- Fix the cost of borrowing.
 - Reduce the cost of borrowing.
 - Cover exchange risk
 - Avail tax benefit
- xi. The foreign exchange market is considered as 24 hour market because _____
- It is open all through the day
 - All transactions are to be settled within 24 hours
 - At least one market is active at any point of time due to geographic dispersal
 - A minimum of 24 hours must lapse before any transaction is settled
- xii. FERA was replaced by _____ in India
- FEMA
 - FMCG
 - NEER
 - LERMS

Q.1. B) State whether the following statements are TRUE or False (Any 10)

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- Comparative cost theory is based on the cost of supply and ignores demand.
- Economic development does not affect terms of trade.
- International trade increases the consumption level of participating countries.
- Policy of free trade encourages price rise.
- Specific tariffs may not be equitable.
- Trade blocs promote multilateralism.
- Balance of payments always balances in technical or accounting sense.
- Devaluation of domestic currency makes exports costlier.
- India is a founder member of WTO.
- The main function of the foreign exchange market is to earn foreign exchange. -
- Imports generate demand for foreign exchange.
- LERMS brought full convertibility in the current account.

Q2 Answer any two out of the following.

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- Discuss Ricardian theory of comparative cost differences.
- Explain the factors affecting Terms of trade.
- Analyze the various types of gains from trade.

- equilibrium in
- Q3 Answer any two out of the following. 15
- Discuss the arguments in favor of the protectionist policy.
 - Explain the different types of tariffs.
 - What is international economic integration? Explain its objectives
- Q4 Answer any two out of the following. 15
- Discuss the structure of the Balance of payments.
 - Explain the different types of disequilibrium in the Balance of payments.
 - Discuss recent developments related to TRIPs.
- Q5 Answer any two out of the following. 15
- What are the functions of the foreign exchange market? Discuss.
 - Discuss the absolute version of the Purchasing Power Parity theory
 - Explain the role of the Central Bank in managing the exchange rate.
- Q. 6 Write short notes (Any four) 20
- Limitations of Heckscher-Ohlin theory.
 - Advantages of free trade policy
 - Non-tariff barriers.
 - Monetary measures to correct deficit in the balance of payments.
 - Arbitrage.
 - Exchange rate system in India.

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