

[Time: 3 Hours]

[Marks: 100]

- N.B.: 1. All the questions are compulsory.
2. 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. According to the Heckscher-Ohlin Theory, a country with _____ is likely to export labor-intensive goods.
 - a) Abundant capital
 - b) Advanced technology
 - c) High consumer demand
 - d) Abundant labour
 2. _____ terms of trade measure the ratio of export prices to import prices.
 - a) Gross Barter
 - b) Net barter
 - c) Income
 - d) Single Factoral
 3. Reciprocal demand is demand by countries for each others _____.
 - a) Assets
 - b) Commodities
 - c) Labour
 - d) Capital
 4. _____ is a benefit of free trade.
 - a) Increased consumer choice
 - b) Protection of infant industries
 - c) High revenue to the government
 - d) Monopoly
 5. _____ is an example of tariff barrier.
 - a) Export subsidies
 - b) Import quota
 - c) Custom duties
 - d) Import substitution
 6. Major consequence of Brexit is _____.
 - a) Britain remained in EU
 - b) Britain accepted Euro
 - c) Britain exited EU
 - d) Britain dominated EU
 7. A long run disequilibrium in BOP is also called as _____.
 - a) Fundamental disequilibrium
 - b) Cyclical disequilibrium
 - c) Temporary disequilibrium
 - d) Minor disequilibrium
 8. Persistent deficit in Balance of Payment shows _____.
 - a) Surplus in foreign exchange reserves
 - b) Excessive borrowing from abroad
 - c) High economic growth
 - d) High domestic savings

9. Which of the following is a recent development in TRIMS (Trade-Related Investment Measures)?
- a) Removal of local content requirements
 - b) Introduction of new tariffs
 - c) Implementation of export subsidies
 - d) Establishment of new trade barriers

10. _____ is the primary function of the foreign exchange market.
- a) To facilitate international trade and investment
 - b) To regulate interest rates
 - c) To control inflation
 - d) To manage government budgets

11. If a country's inflation rate is higher than that of another country, its currency should _____.
- a) Appreciate
 - b) Remain constant
 - c) Fluctuate
 - d) Depreciate

12. India has _____ exchange rate system.
- a) Flexible
 - b) Fixed
 - c) Market
 - d) Managed flexible

B State whether the following statements are True or False (Any 10) 10

- 1. The Heckscher-Ohlin Theory states that countries export goods that use their abundant factors.
- 2. Terms of Trade improve when the prices of a country's imports rise relative to the prices of its exports.
- 3. Offer Curves show quantities of two goods that a country is willing to trade at different terms of trade.
- 4. Tariff Barriers are quotas, subsidies, and regulations that control imports.
- 5. Member countries of European Union deal in a common market.
- 6. ASEAN promotes regional peace and stability.
- 7. If exports are greater than imports, there is a deficit on the current account of BOP of a country.
- 8. Government's budgetary deficits can cause deficit in BOP.
- 9. The World Trade Organization (WTO) aims at smooth and free trade between countries.
- 10. Foreign currency is demanded for exports.
- 11. Forward exchange rates are always higher than spot exchange rates.
- 12. Managed floating systems involve occasional intervention by the central bank.

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Q.2 Attempt any Two questions from the following.

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- A. Explain the Ricardo's Theory of International Trade.
- B. Explain the concepts of i) Net Barter Terms of trade ii) Gross Barter and iii) Income Terms of trade with their importance and limitations.
- C. Explain J.S. Mill's Theory of Reciprocal demand.

Q.3 Attempt any Two questions from the following.

15

- A. Discuss the advantages and disadvantages of free trade.
- B. Analyze different effects of tariffs.
- C. What are the main objectives and achievements of the European Union.

Q.4 Attempt any Two questions from the following.

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- A. Discuss the structure of Balance of Payments.
- B. What are the types of disequilibrium in Balance of Payments.
- C. Describe the key provisions and recent developments in of the TRIPS agreement.

Q.5 Attempt any Two questions from the following.

15

- A. How is the equilibrium rate of exchange determined in the foreign exchange market?
- B. Explain Purchasing power Parity Theory of exchange rate determination.
- C. Discuss the role of Reserve Bank in foreign exchange management.

Q.6 Write short notes on any Four of the following.

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- A. Limitations of Modern Theory of International Trade
- B. Viner's concepts of Terms of Trade
- C. Types of Economic integration
- D. Monetary measures to correct disequilibrium in BOP
- E. Functions of foreign exchange market
- F. Spot and forward exchange rates
