

**MA ECONOMICS  
FOURTH SEMESTER  
INTERNATIONAL ECONOMICS  
MEC-403**

Duration : 3 hrs.

Full Marks: 70

( PART-A: Objective )

Time : 20 min.

Marks : 20

*Choose the correct answer from the following:*

1X20=20

1. The purchase of a currency in that financial centre where it is cheaper for immediate resale in another centre where it is relatively expensive is known as
  - a. Speculation
  - b. Arbitrage
  - c. Hedging
  - d. Forward exchange
2. India is not the member of
  - a. SAARC
  - b. G 8
  - c. G 20
  - d. G 77
3. Balance of trade (BOT) includes
  - a. Merchandise items only
  - b. Invisible items only
  - c. Both merchandise and invisible items
  - d. all items from BOP
4. Leontief Paradox
  - a. Empirically tested the H-O theory for the first time.
  - b. Both support and supplement the H-O theory
  - c. Supports the conclusion of the H-O theory
  - d. Supports the H-O theory but rejected the comparative cost theory.
5. The year of establishment of World Trade Organization (WTO) is
  - a. 1 January, 1995
  - b. 1 April, 1935
  - c. July, 1944
  - d. 19 December 1966
6. The headquarter of International Monetary Fund (IMF) is located at
  - a. Washington D.C.
  - b. Geneva
  - c. London
  - d. Mumbai
7. Which one is not a factor affecting terms of trade
  - a. Factor endowment
  - b. Economic growth
  - c. unemployment
  - d. Tariff
8. Complete state of autarky of a country refers to
  - a. Closed economy
  - b. Open economy
  - c. Free trade
  - d. Economic Union

9. Trade between two countries can be useful if cost ratios of goods are:
- Equal to one
  - Decreasing
  - Different
  - Equal
10. Vent for surplus is the concept by
- Adam Smith
  - David Ricardo
  - Leontief
  - Heckscher-Ohlin
11. Offer curve is the
- Production possibility curve
  - Indifference curve
  - Reciprocal demand curve
  - Opportunity curve
12. Given the offer curve of the foreign country, shifting of offer curve of the home country towards right leads to
- Favorable TOT for the home country
  - Favorable TOT of the foreign country
  - Unfavorable TOT of the home country
  - Unfavorable TOT of the foreign country
13. Discriminatory tariff is the
- Multiple column tariff
  - Single column tariff
  - Doubtful tariff
  - Revenue tariff
14. Retaliatory tariff is defined as
- Tariff imposed by home country on export
  - Tariff imposed by foreign country on their export
  - Tariff imposed by home country on import
  - Tariff imposed on imports by the country to punish another country for charging tariffs on its own exports
15. Dumping means
- Storing in abundance
  - Charging a high price abroad and lower price in the home market for the product
  - Charging a lower price abroad and higher price in the home market for the product
  - Charging a high price abroad and even a higher price in the home market for the product
16. Which one is a non tariff barrier
- Income tax
  - Specific tax
  - Export subsidy
  - Import subsidy

17. Welfare effect of custom union is equals to
- a. Gain in consumer surplus-loss in producer surplus- loss in govt. revenue
  - b. Gain in consumer surplus + loss in producer surplus
  - c. Gain in consumer surplus + loss in producer surplus + loss in govt. revenue
  - d. Gain in consumer surplus +loss in producer surplus
18. Special Drawing Right was initiated by IMF in the year
- a. 1969
  - b. 1974
  - c. 1988
  - d. 1889
19. India become the member of WTO in the year
- a. 1993
  - b. 1995
  - c. 1908
  - d. 2001
20. Depreciation of currency is the result of
- a. Market forces
  - b. Deliberate government decision
  - c. Foreign intervention
  - d. Side effect of devaluation

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**( PART-B : Descriptive )**

Time: 2 HRS 40 MINS

Marks : 50

[ Answer question no.(1) & any four (4) from the rest ]

1. What is a foreign exchange market? Explain the determination of equilibrium exchange rate. 2+8=10
  
2. What is a Custom union? Arrange the different forms of international economic integration based of ascending degree of integration. Distinguish between trade creation and trade diversion effect of custom union. 2+2+6=10
  
3. Define terms of trade (TOT). Distinguish among the different types of terms of trade. 2+8=10
  
4. What is reciprocal demand and how it can affect the terms of trade of a country, explain with diagrams. 2+8=10
  
5. What is the basis of trade according to H-O theory? Explain the factor endowment concept by the same. 2+8=10
  
6. Define balance of payment (BOP). Explain the various components of the balance of payment (BOP) of India. 10
  
7. What is tariff? Explain the effects of tariffs under partial equilibrium. 2+8=10
  
8. Define spot exchange rate and forward exchange rate. Explain the linkage between spot and forward foreign exchange markets. 5+5=10

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