

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

**SET
A**

[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs.

Full Marks: 70

Time: 30 mins.

(Objective)

Marks: 20

Choose the correct answer from the following:

1 × 20 = 20

1. Vent for surplus was given by
 - a. W. Leontief
 - b. A Smith
 - c. D Ricardo
 - d. Heckscher Ohlin
2. H-O theory is a
 - a. 2X1 model
 - b. 2X2 model
 - c. 2X2X1 model
 - d. 2X2X2 model
3. According to Ricardo the Basis of trade is
 - a. Absolute advantage
 - b. Comparative cost difference
 - c. Factor abundance
 - d. Price difference
4. Comparative Cost Advantage theory is a
 - a. 2X1 model
 - b. 2X2 model
 - c. 2X2X1 model
 - d. 2X2X2 model
5. Factor endowment can be measured in terms of
 - a. Man hour only
 - b. Physical criterion
 - c. Physical criterion & labour hour
 - d. Physical criterion & price criterion
6. What prompted Brettonwoods Agreement?
 - a. To set up a system that would maintain a stable exchange rate system
 - b. To create a flexible exchange rate system
 - c. To stop World War II
 - d. Eradicate the economic difficulties brought in by the World War II
7. Arrange the following levels of economic integration, from least integrated to the most integrated:
 - A. Customs Union
 - B. Free Trade Area
 - C. Economic Union
 - D. Common Market
 - E. Political Union
 - a. BACDE
 - b. EDABC
 - c. BADCE
 - d. EABDC

8. _____ is the payment method most often used in International Trade which offers the exporter best assurance of being paid for the products sold internationally.
- Bill of Lending
 - Open Account
 - Letter of Credit
 - Drafts
9. The Theory of Relative Factor Endowments is given by _____.
- David Ricardo
 - Adam Smith
 - F W Taussig
 - Ohlin and Hecksher
10. Which one of the following is not the guiding principle of World Bank regarding its lending operation?
- Proper assessment of the repayment prospects of loans.
 - Lending should be only for specific projects which are economically and technically sound and of a high priority nature.
 - The lending should be to enable a country to meet foreign exchange content of the projectcost.
 - The bank does expect the borrowing country to spend the loan in a particular country.
11. The headquarters of International Monetary Fund (IMF) is located at
- Geneva
 - London
 - Paris
 - Washington D. C.
12. When was WTO (World Trade Organization) established?
- 1995
 - 1999
 - 1948
 - 1983
13. The value of Special Drawing Right (SDR) of the International Monetary Fund is determined by a basket of currencies consisting of how many currencies?
- 5
 - 9
 - 10
 - 15
14. Trade between two countries can be useful if cost ratios of goods are:
- Decreasing
 - Undetermined
 - Equal
 - Different
15. Dumping refers to:
- Reducing tariffs
 - Buying goods at low prices abroad and selling at higher prices locally
 - Sale of goods abroad at a lower price, below their cost and price in their home market
 - Expensive goods selling for low prices
16. Govt. policy about exports and imports is called:
- Commercial policy
 - Monetary policy
 - Fiscal policy
 - Finance policy

17. Free international trade maximizes world output through
- a. Inspiring geographic integration
 - b. Countries specializing in production of goods they are best suited for
 - c. Countries reducing various taxes imposed.
 - d. Perfect competition between countries and other special regions
18. _____ is the oldest International Trade theory.
- a. Country Similarity Theory
 - b. Theory of Absolute Cost advantage
 - c. Product Life Cycle Theory
 - d. Mercantilism Theory
19. A voluntary export restraint is the opposite form of _____.
- a. Import quotas
 - b. Subsidies
 - c. International tariffs
 - d. Dumping
20. _____ happens when Imports are more than exports.
- a. Trade barrier
 - b. Trade surplus
 - c. Trade deficit
 - d. Trade contract

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(Descriptive)

Time : 2 Hr. 30 Mins.

Marks : 50

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

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| 1. Distinguish between trade creation and trade diversion effect of Custom Union. | 10 |
| 2. Define economic integration. Explain the different types of economic integration with example and highlighting the mutual difference among them. | 2+8=10 |
| 3. What is Tariff? Discuss the effects of tariff under partial equilibrium. | 2+8=10 |
| 4. Define Balance of Payment. Explain the structure of BOP. | 2+8=10 |
| 5. What is foreign exchange rate? Explain the determination of exchange rate in a fixed exchange rate regime? | 2+8=10 |
| 6. Define the followings. | 2×5=10 |
| a) Spot & forward exchange rate. | |
| b) Arbitrage & hedging. | |
| c) Devaluation & depreciation. | |
| d) Fixed & flexible exchange rate. | |
| e) Terms of trade & gains from trade. | |
| 7. Define terms of trade. How reciprocal demand effects the terms of trade of a country, explain. | 2+8=10 |
| 8. What is a Non Tariff Barrier? Explain its various types. | 2+8=10 |

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