

[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.

- Q.2 Attempt any Two questions from the following. 15**
- 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. 15**
- 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. 20**
- 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

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