

Program: T.Y.B.Com Semester: VI Program Code: 2C00146
 Course: Business Economics - VI Course Code: 83013
 Duration: 3 Hours Examination Pattern: Rev - 16 - Autonomous - External Max. Marks: 100

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Draw neat diagrams wherever necessary.

Examination:

REGULAR

Q. 1	Attempt the following.		
A.	Select the most appropriate option & rewrite the full sentence. (Any 10)		[10]
	i).	The basis of international trade is _____.	
	(a)	Comparative cost advantage	(b) No profit advantage
	(c)	Equal cost	(d) High cost
	ii).	Ricardo's theory of international trade is based on _____	
	(a)	Labour cost	(b) Capital cost
	(c)	Opportunity cost	(d) Production cost
	iii).	Improvement in terms of trade means	
	(a)	Export prices rise	(b) Import prices rise
	(c)	Export prices fall	(d) Both prices fall
	iv).	Reciprocal demand theory was given by _____.	
	(a)	Ricardo	(b) Adam Smith
	(c)	Marshall	(d) J.S. Mills
	v).	Protection policy aims to _____.	
	(a)	Encourage imports	(b) Protect domestic industries
	(c)	Increase competition	(d) Reduce prices
	vi).	Quota is a _____.	
	(a)	Tax on imports	(b) Physical restriction on imports
	(c)	Subsidy	(d) Exchange control
	vii).	Economic integration refers to _____.	
	(a)	Political unity	(b) Economic cooperation among nations
	(c)	Trade restriction	(d) Currency control

		viii)	Customs Union includes _____.			
		(a)	Free trade + common external tariff	(b)	Political union	
		(c)	Monetary union	(d)	Economic union	
		ix).	Balance of Trade refers to _____.			
		(a)	Capital account	(b)	Current account	
		(c)	Service account	(d)	Difference between exports and imports	
		x).	Secular disequilibrium is caused by _____.			
		(a)	Seasonal changes	(b)	Long-term economic changes	
		(c)	Wars	(d)	Cycles	
		xi).	WTO came into existence in _____.			
		(a)	1947	(b)	1995	
		(c)	2000	(d)	2010	
		xii).	Sterilization refers to _____.			
		(a)	Export promotion	(b)	Neutralizing forex intervention effects	
		(c)	Devaluation policy	(d)	Capital control	
		B.	State whether the following statements are True or False. (Any 10)			[10]
		i).	A country can gain from trade even if it has absolute advantage in all goods.			
		ii).	Offer curves are used to explain determination of international prices.			
		iii).	Devaluation is an internal measure of correcting BOP deficit.			
		iv).	Exchange control means complete prohibition of foreign trade.			
		v).	Infant industry argument supports free trade.			
		vi).	Customs union allows free movement of labour and capital.			
		vii).	IMF mainly provides long-term development finance.			
		viii).	Fixed exchange rate system eliminates speculation completely.			
		ix).	Purchasing Power Parity theory explains long-run exchange rates.			
		x).	Hedging is used to reduce foreign exchange risk.			
		xi).	Capital account convertibility allows free capital movement.			
		xii).	WTO settles trade disputes among member nations.			

Q. 2	Attempt any two of the following.	[15]
a)	Explain terms of trade. Elaborate on the types of terms of trade.	
b)	Discuss the gains from international trade.	
c)	Compare and contrast the Ricardian theory of international trade and Heckscher Ohlin theory of international trade.	
Q. 3	Attempt any two of the following.	[15]
a)	Explain the benefits of free trade policy	
b)	Explain the types of tariff barriers.	
c)	What are the types of economic integration?	
Q. 4	Attempt any two of the following.	[15]
a)	Explain the structure of Balance of Payments.	
b)	What are the causes of disequilibrium in Balance of Payments?	
c)	Explain in detail the Principles of WTO	
Q. 5	Attempt any two of the following.	[15]
a)	Explain the determination of equilibrium of exchange rate.	
b)	What are the factors responsible for change in exchange rate?	
c)	Explain the absolute and relative Purchasing power parity.	
Q. 6	Write a short a note on (Any Four)	[20]
a)	Direct measures to control disequilibrium in Balance of Payment	
b)	Factors affecting terms of trade	
c)	Benefits of protectionist policy	
d)	TRIMS	
e)	Hedging	
f)	Role of central bank under managed float	