Paper / Subject Code: 83013 / Business Economics VI

[Time: 3 Hours] **[Marks: 100]**

Please check whether you have got the right question paper.

N.B: **1. All questions are compulsory.**
2. Figures to the right indicate full marks.

Q.1 A) Select the correct answer and rewrite the statement (any ten) **10**

1. ----------- is the basic cause of international trade according to David Ricardo.
   a) Difference in comparative costs b) Difference in availability of factors
   c) Difference in standard of living d) Difference in Political background

2. The concept of single factoral terms of trade was introduced by __________.
   a) Dorrance b) Viner
   c) Taussig d) Keyne

3. The offer curve of a country denotes the offer of its ------------ against its imports.
   a) Exports b) Imports
   c) Capital d) Donations

4. Imposition of tariffs on imports may make a country's terms of trade __________.
   a) Unfavourable b) Favourable
   c) Zero d) Neutral

5. Which of the following is the argument for free trade?
   a) Self-sufficiency b) Infant industry argument
   c) Promotes specialization d) Anti-dumping measure

6. What caused the Eurozone crisis?
   a) Political reasons b) Debt crisis
   c) Investment crisis d) Social crisis

7. _____ account of BOP records the exports and imports of goods only.
   a) Capital account b) Current account
   c) Trade account d) Errors and omissions

8. Devaluation results in -----------.
   a) Cheaper imports b) Cheaper exports
   c) Fall in exports d) Rise in imports

9. Under WTO, TRIPs cover __________.
   a) Foreign Investment b) Foreign aid
   c) Services d) Patents

10. __________ operate in foreign exchange market for the purpose of making profit.
    a) Hedgers   b) Central banks
    c) Bidders   d) Speculators

11. Foreign exchange is demanded for __________.
    a) Impots   b) Exports
    c) Exports of services   d) Capital inflows

12. Flexible exchange rate system is also known as __________
    a) Fixed exchange rate system   b) Neutral exchange rate system
    c) Floating exchange rate system   d) Pegged exchange rate system

B) State whether the following statements are True or False. (any ten) **10**

1. Ricardo's theory of international trade neglects demand conditions.
2. International trade will not occur in case of equal cost difference.
3. The concept of reciprocal demand was introduced by Marshall.
4. Tariffs are duties imposed on imports.
5. Quotas increase the revenue for the Government.
6. ASEAN is a growing hub of consumer demand.
7. The current account balance records all long-term transactions of the country.
8. Devaluation is the official lowering of value of a currency in terms of other currency.
9. TRIMS ensures protection of intellectual property rights.
10. Central banks and the commercial banks are the only dealers in the foreign exchange market.
11. Supply of foreign exchange is generated through exports.
12. The central banks can influence the foreign exchange rate.

Q.2 Answer any two of the following. **15**

a. Explain the Ricardian Comparative Cost Difference Theory of International Trade.

b. Explain the concepts of i) Gross Barter terms of trade ii) Net Barter Terms of Trade and iii) Income Terms of trade in detail.

c. Analyze the various gains from international trade.

Q.3 Answer any two of the following. **15**

a. What is protection? Make a case for protection.

b. Explain the different types of non-tariff barriers.

c. What are the different effects of tariffs? Explain.

Q.4 Answer any two of the following. **15**

a. What is the balance of payments? Explain the causes of disequilibrium in balance of payments.

b. Explain monetary and nonmonetary measures to correct disequilibrium in balance of payments.

c. Explain the important features of TRIPs under WTO.

Q.5 Answer any two of the following. **15**

a. Explain the functions and participants of foreign exchange market.

b. How is the equilibrium rate of exchange determined? Explain.

c. Explain the role of the central bank in foreign exchange rate management.

Q.6 Write short notes on any four of the following. **20**

a. Limitations of Modern Theory of International Trade

b. Offer curves.

c. Arguments for free trade

d. Types of Economic Integration

e. Structure of BOP

f. Absolute version of purchasing power parity Theory

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