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Reg. No.....

Name.....

B.A. DEGREE (C.B.C.S.S.) EXAMINATION, MARCH 2014

Sixth Semester

B.A. Economics

Core Course—INTERNATIONAL ECONOMICS

Time : Three Hours

Maximum Weight : 25

Answers may be written either in English or in Malayalam.

Part A (Objective Type Questions)

Each bunch of four questions carries 1 weight.

I. Choose the correct alphabet only :

1 Ricardo's law of comparative advantage is based on :

- (a) Opportunity cost theory. (b) Labour theory of value.
(c) Law of diminishing returns. (d) Specialisation.

2 According to H.O. theory labour abundant economy will import :

- (a) Labour intensive goods. (b) Capital intensive goods.
(c) Both (a) and (b). (d) Intermediate goods.

3 Adam smith propounded :

- (a) Absolute cost advantage theory.
(b) Mercantalism.
(c) Labour theory of value.
(d) Diminishing returns.

4 Factor reversal matters when :

- (a) Factor prices are the same.
(b) Factor endowments are similar.
(c) Factor endowments differ significantly.
(d) None of these.

Turn over

II. 5 Transactions of export and imports of goods and services are entered in BoP account as :

- (a) Current account. (b) Capital account.
- (c) Official settlements account. (d) Trade account.

6 One of the following is not a function of foreign exchange market :

- (a) Transfer of Purchasing power.
- (b) Providing foreign exchange loans.
- (c) Provision of hedging facilities.
- (d) Facilitating transfer of technology.

7 Arbitrage refers :

- (a) Buying and selling of foreign exchange with the intention of making profit.
- (b) Simultaneous sale of spot currency for the forward purchase of same currency.
- (c) Devaluation process.
- (d) None of the above.

8 The objective of exchange control is :

- (a) To conserve foreign exchange.
- (b) To check capital flight.
- (c) To improve balance of payments.
- (d) All the above.

III. 9 One of the following is a unilateral method of exchange control :

- (a) Regulation of Foreign trade. (b) Clearing agreement.
- (c) Payments agreement. (d) Standstill agreement.

10 Spot exchange refers :

- (a) Delivery of foreign exchange instantaneously.
- (b) Transaction of foreign exchange at a future date on agreed formulations.
- (c) Providing foreign exchange credit.
- (d) None of these.

11 One of the following is not a method of international payments :

- (a) Telegraphic transfer. (b) Mail transfer.
- (c) Bank drafts. (d) ATM transactions.

12 WTO was formed from :

- (a) UN. (b) GATT.
(c) UNCTAD. (d) TRIPS.

IV. 13 One of the following is not a function of WTO :

- (a) To act as a dispute settlement mechanism.
(b) To serve as a trade review body.
(c) To provide a forum for negotiations among the member countries.
(d) To address the BoP issues of member countries.

14 A BoP deficit can be corrected by :

- (a) Devaluation. (b) Export promotion.
(c) Price control. (d) All the above.

15 Depreciation of a nation's currency usually causes domestic prices to :

- (a) Fall. (b) Rise.
(c) No change. (d) Initially fall and subsequently rise.

16 India's share in the world trade is :

- (a) 5 percent. (b) 3 percent.
(c) Less than one percent. (d) 4-6 percent.

(4 × 1 = 4)

Part B (Short Answer Questions)

*Answer any five questions not exceeding 50 words.
Each question carries 1 weight.*

- 17 Terms of trade.
18 Leontief paradox.
19 Purchasing power parity.
20 Exchange control.
21 Forward market.
22 Hedging.
23 Special drawing rights.
24 Labour theory of value.

(5 × 1 = 5)

Turn over

Part C (Short Essays)

Answer any **four** questions not exceeding 150 words.
Each question carries 2 weight.

- 25 Explain functions of WTO.
- 26 Explain comparative advantage theory.
- 27 Explain flexible exchange rate system.
- 28 What are the arguments for free trade ?
- 29 Explain mercantilist policies.
- 30 Explain the Marshall-Lerner condition.

(4 × 2 = 8)

Part D (Long Essays)

Answer any **two** questions.
Each question carries 4 weight.

- 31 Show that Balance of Payments is always in equilibrium in the accounting sense.
- 32 Explain the relative merits and demerits of free trade and protectionist policies. Which one is more suitable to Indian economy and for what reasons ?
- 33 Explain the static and dynamic gains from trade.

(2 × 4 = 8)