

Module No. 1

(International Trade)

Sub - B. Economic

Class- T. Y. BCom Sem. VI

MCQ

1. International Trade increases the welfare of _____.
 - A) all participating countries
 - B) only exporting countries
 - C) only importing countries
 - D) Within the Country
2. International trade increase the _____ of participating countries.
 - A) Profit
 - B) Output
 - C) Risks
 - D) Capital
3. According to David Ricardo, International trade is beneficial under cost.
 - A) equal difference in cost
 - B) absolute
 - C) Comparative
 - D) Complementary
4. David Ricardo's Theory assumes perfect mobility of Labour _____.
 - A) Between the two Country
 - B) between the participating countries
 - C) within and between the participating countries
 - D) within the country
5. Comparative cost theory is statics theory because it assumes _____.

- A) there is no qualitative and quantitative change in inputs
- B) labour is homogeneous within the country,
- C) there is no transport cost
- D) Change in Output

6. Ricardian theory measures measures comparative cost in terms of _____.

- A) input costs
- B) money
- C) man days
- D) Output Expences

7. Ricardian theory assumes that labour is _____ within the country.

- A) efficient
- B) heterogeneous,
- C) Inefficient
- D) Homogeneous

8. Ricardian theory can be extended to _____.

- A) only two countries
- B) more than two countries
- C) only to developed nations
- D) only to developing nations

9. Heckscher Ohlin theory on international trade can explain _____.

- A) Within the Country
- B) only inter-regional
- C) only international
- D) inter-regional & international

10. Commodity X is capital intensive, when in its production capital/ labour ratio is _____ than Commodity Y.
- A) greater
 - B) less
 - C) equal to
 - D) Unequal
11. Hecksher Ohlin theory cannot be applied to more than _____.
- A) Two countries
 - B) two commodities
 - C) Several commodities & several countries
 - D) few countries
12. According to Hecksher Ohlin theory, product price depends on _____.
- A) factor cost
 - B) only factor intensity
 - C) only factor abundance
 - D) factor cost, only factor intensity, only factor abundance
13. According to Hecksher Ohlin theory, the international trade taken place due to difference in _____
- A) labour efficiency
 - B) product price
 - C) advanced technology
 - D) Traditional Technology
14. In international trade _____ move between nations.
- A) commodities and not factors
 - B) factors of production
 - C) factors and commodities
 - D) Capital
15. Terms of trade are expressed as a ratio of _____.

- A) FDI and portfolio investments
- B) foreign exchange receipts and payments
- C) price index of exports and imports
- D) Import Index

16. Terms of trade are favorable if the current index in comparison to the base year index is _____.

- A) Less
- B) more
- C) equal
- D) Unequal

17. Gross barter terms of trade taken into account _____.

- A) Communication
- B) only trade items
- C) only services
- D) trade items and unilateral payments

18. Income terms of trade indicate increased capacity to _____.

- A) Investment
- B) export
- C) Investment import
- D) import

19. Single factorial terms of trade taken into account changes in _____.

- A) efficiency of factors of production of export goods
- B) export prices
- C) import prices
- D) demand for imports

20. Generally, the developing countries _____ terms of trade.

- A) suffer from adverse
- B) enjoy favourable

- C) ignore
- D) Perfect

21. The gain from trade is maximum if the international terms of trade are _____.

- A) Importing Country
- B) nearer to the domestic terms of trade of importing country
- C) equal to exporting country
- D) nearer to the internal terms of trade of trading partner

22. An offer curve differs from _____.

- A) usual demand curve
- B) usual demand and supply curves
- C) usual supply curve
- D) Horizontal Curve

23. International trade increases the welfare of _____.

- A) only importing country
- B) only exporting country
- C) all participating countries
- D) only developed countries

24. International trade results in _____.

- A) innovations, reduction in costs, diversifies consumption
- B) innovations
- C) reduction in costs
- D) diversifies consumption

25. Cultural changes due to international trade are _____.

- A) positive and negative
- B) only positive
- C) only negative
- D) equal

26. The concept of gross barter terms of trade was introduced by _____.
- A) John S. Mill
 - B) Alfred Marshall
 - C) Francis Edgeworth
 - D) Frank Taussig
27. The concept of income terms of trade was introduced by _____.
- A) David Ricardo
 - B) Frank W. Taussig
 - C) Graeme S. Dorrance
 - D) Francis Edgeworth
28. Utility terms of trade was introduced by _____.
- A) Jacob Viner
 - B) Adam Smith
 - C) J. S. Mill
 - D) Frank Taussig
29. The concept of offer curves was introduced by _____.
- A) A. Marshall and F Edge worth
 - B) Adam Smith and David Ricardo
 - C) John S. Mill and John M Keynes
 - D) David Ricardo
30. Terms of trade will be favourable to a country when _____.
- A) exports inelastic, imports elastic, supply of exports elastic.
 - B) its exports have inelastic demand
 - C) its imports have elastic demand
 - D) its supply of exports is elastic
31. The offer curve of a country is based on _____.
- A) relative prices of two commodities
 - B) price of exports

- C) price of imports
- D) supply of exports

32. A country will have unfavourable terms of trade when _____.

- A) imports have inelastic demand
- B) imports have elastic demand
- C) exports have elastic supply
- D) exports have inelastic supply

33. When supply of exports is elastic is elastic, a country will have _____ terms of trade.

- A) different
- B) unfavourable
- C) favorable
- D) equal

34. The concept of reciprocal demand was introduced by _____.

- A) J. M. Keynes
- B) J. S. Mill
- C) G. S. Dorrance
- D) F. W. Taussig

35. Reciprocal demand is expressed in terms of _____.

- A) Offer curves
- B) supply curves
- C) Demand curves
- D) cost curves

36. The classical theory of international trade was presented by _____.

- A) David Ricardo
- B) Hecksher-Ohlin
- C) J. M. Keynes
- D) Alfred Marshall

37. Heckscher-Ohlin theory states that relative factor prices in two countries are determined by
- A) differences in factor endowments
 - B) labour efficiency
 - C) technological development
 - D) Economic Development
38. Heckscher-Ohlin theory is also known as _____ theory of international trade.
- A) traditional
 - B) modern
 - C) classical
 - D) Revised
39. Under _____ type of cost difference, international trade will not take place.
- A) Equal
 - B) absolute
 - C) Comparative
 - D) Expensive
40. According to Ricardo, International trade is beneficial under
- A) Absolute cost
 - B) Comparative cost
 - C) equal difference in cost
 - D) Differences in supply
41. Ricardian theory assumes perfect mobility of labour.
- A) within the country
 - B) between the countries
 - C) both within and between the countries
 - D) Foreign country
42. Comparative cost theory is a static theory because according do it.

- A) there is no qualitative and quantitative change in inputs
 - B) labour is homogeneous within the country
 - C) there is no transport cost
 - D) labour is heterogeneous within the country
43. Ricardian theory measures comparative cost in terms of
- A) money
 - B) labour days
 - C) cost of all the inputs
 - D) Output
44. Ricardian theory assumes that
- A) Labour is homogeneous and of same efficiency in all the countries
 - B) Labour is homogeneous within the country
 - C) Labour differs in efficiency within the country
 - D) Workers are different
45. Ricardian comparative cost theory can be extended or applied to
- A) more than two commodities
 - B) only two countries
 - C) only to developed countries
 - D) only to developing countries
46. H.O. theory can explain
- A) Inter-regional trade
 - B) International trade
 - C) Inter-regional trade, International trade
 - D) within the country
47. Commodity X is capital intensive if in its production
- A) Capital/Labour (K/L) ratio is greater than Y
 - B) Physical units of K and L are greater than Y
 - C) X requires better technology than Y

D) Y Commodity is Capitalist

48. In international trade

- A) Factors of production move between the countries
- B) both factors and commodities move between the countries
- C) commodities move between the countries instead of factors
- D) Free trade

49. According to H.O. theory the international trade takes place due the difference in

- A) Labour efficiency
- B) difference in product price
- C) better technology
- D) Supply of services

50. According to H.O. theory, product price depends on

- A) factor intensity
- B) factor abundance
- C) factor cost
- D) factor intensity factor abundance factor cost

51. H.O. theory cannot be applied to more than

- A) two countries
- B) two commodities
- C) can be extended to many commodities and many countries.
- D) Geographical Boundaries

52. Terms of trade are expressed as a

- A) ratio of foreign exchange receipts and payments
- B) ratio of price index of exports and imports
- C) ratio of foreign direct investment and portfolio investment.
- D) ratio of domestic direct investment

53. Terms of trade are favourable, if the current index in comparison to the base year index is

- A) less
- B) more
- C) same
- D) elastic

54. Gross barter terms of trade takes into account

- A) all the items
- B) only services
- C) trade items and unilateral payments
- D) Specific items

55. Income terms of trade tells increased capacity to

- A) Export
- B) import
- C) Investment
- D) Capital

56. Single factoral terms of trade take into account changes in

- A) export and import prices
- B) changes in efficiency of factors producing export goods
- C) changes in demand for imports
- D) Import Rate

57. The developing countries, it is argued, usually

- A) enjoy favourable terms of trade
- B) suffer from adverse terms of trade
- C) have better income terms of trade
- D) Competitive conditions

58. The gain from trade is maximum if the international terms of trade are

- A) nearer to the domestic terms of trade of importing country
- B) nearer to the internal terms of trade of trading partner

- C) equal to exporting country
- D) equal to importing country

59. An offer curve

- A) differs from an usual demand curve only
- B) differs from an usual supply curve only
- C) differs from both usual demand and supply curves
- D) Only General demand curve

60. International trade increases the economic welfare of

- A) Exporting country
- B) Importing country
- C) All the countries that participate in international trade
- D) Specific Goods

61. International trade

- A) stimulates innovations
- B) brings down the cost of production
- C) diversifies the consumption
- D) stimulates innovations, brings down the cost of production, diversifies

the consumption

62. Cultural changes due to international trade are always

- A) Positive
- B) negative
- C) both positive and negative
- D) Complementary

TYBcom Sem VI Unit II
CHAPTER - 2: COMMERCIAL POLICY AND
INTERNATIONAL ECONOMIC INTEGRATION

63. Free trade means
- A) Restrictions on international trade
 - B) Lack of restrictions on international trade
 - C) Lack of import allocation
 - D) Lack of import duty
64. ... is not the benefit of free trade.
- A) Maximum use of production tools
 - B) Increase in national income
 - C) stoppage of monopoly
 - D) unnecessary import
65. Which of the following is the fault of free trade?
- A) Decline in government revenue
 - B) Innovation in production methods
 - C) Variety in consumption
66. Tax on goods and services imported from abroad is.... Yes
- A) Octroi
 - B) share
 - C) octroi non exclusive restrictions
 - D) import
67. The tax levied on the weight or measure of an object is called
- A) goods tax
 - B) Excise duty
 - C) specific fee
 - D) Import tax
68. charge is charged by value

- A) value
- B) goods
- C) service
- D) price

69. Combined charges include

- A) value and physical dimensions
- B) Import and export
- C) sales tax
- D) Import License Fee

70. quota is a type of.....restrictions

- A) octroi non exclusive
- B) octroi
- C) Customs
- D) Excise duty

71. Preferential trade agreements containtrade restrictions.

- A) limitless
- B) extremely low
- C) long term
- D) short-term

72. Financial union was for

- A) European stock market
- B) Asian stock markets
- C) American market
- D) South Asian market

73. Which of the following is not an objective of an economic group?

- A) market expansion
- B) Increase in investment
- C) Financial welfare
- D) Restricted trade

74. Which country has decided to leave the European Union?
- A) India
 - B) Britain
 - C) America
 - D) Russia
75. The number of members of the European Union is
- A) 30
 - B) 28
 - C) 20
 - D) 112
76. There are member nations in South East Asian organizations.
- A) 10
 - B) 20
 - C) 15
 - D) 25
77. In all over the world stock markets had collapsed on.....
- A) 24 June 2017
 - B) 21 June 2015
 - C) 20 June 2018
 - D) June 24, 2012
78. Prices of goods due to jakat/ octroi
- A) decreases
 - B) grow
 - C) becomes equal
 - D) None of these
79. Import and export of certain commodities is controlled by... ..
- A) State Chamber of Commerce
 - B) Central Board

C) priority agreement

D) octroi

80. Non-octroi tax restrictions are more

A) flexible

B) non flexible

C) easy

D) practical

81. In addition to import and export duty duty is also charged.

A) value wise

B) transformation

C) protection

D) administrative

82. On imports controls are imposed.

A) qualitative

B) numerical

C) developmental

D) economic

83. First in France used the quota method as a solution to the economic downturn.

A) 1931

B) 1934

C) 1935

D) 1947

84. The terms of trade for a developing country are always

A) favorable

B) equal

C) hostile

D) unequal

85. Competition due to free trade policy
- A) increases
 - B) decreases
 - C) there is no competition
 - D) is not one of these
86. Defense policy reduces
- A) import
 - B) Export
 - C) Import Export
 - D) octroi
87. For Domestic goods. Import quota is required to keep the level stable.
- A) price
 - B) demand
 - C) supply
 - D) none of these
88. Positive restrictions on import trade are restrictions.
- A) zakat/octroi
 - B) Non-octroi
 - C) hostile
 - D) favourable
89. Economic reforms improve social and relations between member nations.
- A) political
 - B) Cultural
 - C) Economic
 - D) capitalism
90. In international trade trade groups are important.
- A) financial

- B) Social
- C) political
- D) capitalism

91. Former President of the United States Bill Clinton's initiative was created

- A) NAPTA
- B) SAPTA
- C) European Union
- D) all of the above

92. Quotas result in redistribution of income.

- A) import
- B) Export
- C) Import-Export
- D) none of the above

93. Which one of the following is not an objective of commercial trade policy?

- A) To preserve foreign exchange reserves
- B) To determine the rate of interest
- C) To protect domestic industries from foreign competition
- D) To maintain favourable balance of payments

94. Which one of the following is an argument for free trade?

- A) Protects domestic industries
- B) Promotes self sufficiency
- C) Helps diversification of industries
- D) Promotes efficient allocation of world resources

95. Which of the following is an argument against the policy of free trade?
- A) Does not always benefit less developed countries
 - B) Protects inefficient industries
 - C) Causes unemployment in the export sector
 - D) Harms domestic consumers
96. Protectionist policy
- A) Encourages international specialization
 - B) Promotes global production
 - C) Helps prevent dumping
 - D) Reduces government intervention in trade
97. Tariff rate quotas are
- A) combination of tariffs and quotas
 - B) based on the value of the traded commodity only
 - C) based on the quantity or volume of the quantity only
 - D) low tariff rate on an initial quantity of import within the quota limit and very high tariff rate on imports above the initial amount
98. A tariff expressed as either a specific or an ad valorem rate, whichever is higher, is known as
- A) General tariff
 - B) Mixed tariff
 - C) Compound tariff
 - D) Countervailing tariff
99. Countervailing tariffs specifically aim to
- A) give preference to imports from a customs union
 - C) retaliate to a tariff imposed by a trading partner
 - C) neutralize the effects of subsidies given to the producers in the exporting

countries

D) counter dumping by other countries

100. A system that makes it mandatory for domestic producers to use some proportion of domestic raw material is known as

A) Mixing quota

B) Global quota

C) Allocated quota

D) Import licensing

101. Which of the following is not a NTB?

A) Voluntary export restrictions

B) Local content requirement

C) Administrative barriers

D) Tariff rate quotas

102. Which one of the following NTBs prevents free movement of capital between countries?

A) Preferential government procurement

B) Exchange controls

C) Domestic subsidies

D) Local content requirement

103. The reduction in domestic consumption due to imposition of quota results in

A) increase in government revenue

B) increase in consumer's surplus

C) loss of social welfare

D) increase in social welfare

104. A preferential trade area is a trade bloc where

A) countries agree to reduce or eliminate tariff barriers on all Goods imported from other member nations

B) countries agree to reduce or eliminate tariff barriers on selected goods imported from other member nations

C) countries agree to have a common unified tariff against non-members

D) all barriers are eliminated to allow free movement of goods, services, capital and labour

105. A free trade area is a trade bloc where

A) countries agree to reduce or eliminate tariff barriers on all goods imported from other member nations

B) countries agree to reduce or eliminate tariff barriers on selected goods imported from other member nations

C) countries agree to have a common unified tariff against non-members

D) all barriers are eliminated to allow free movement of goods, services, capital and labour

106. A customs union is a trade bloc where

A) countries agree to reduce or eliminate tariff barriers on all goods imported from other member nations

B) countries agree to reduce or eliminate tariff barriers on selected goods imported from other member nations

C) countries agree to have a common unified tariff against non-members

D) all barriers are eliminated to allow free movement of goods, services, capital and labour

107. A common or single market is a trade bloc where

A) countries agree to reduce or eliminate tariff barriers on all goods imported from other member nations

B) countries agree to reduce or eliminate tariff barriers on selected goods imported from other member nations

- C) countries agree to have a common unified tariff against non-members
- D) all barriers are eliminated to allow free movement of goods, services, capital and labour
108. is one of the disadvantages of international economic integration.
- A) cross-border investment flows
 - B) employment generation
 - C) increasing interdependence
 - D) conflict resolution
109. The was signed to create the EU in 1993.
- A) Treaty of Maastricht
 - B) Treaty of Rome
 - C) Treaty of Lisbon
 - D) Treaty of London
110. The euro replaced the national currencies of 12 EU member nations in the year
- A) 1997
 - B) 2002
 - C) 2000
 - D) 1995
111. The functioning of the EU single market is governed by
- A) Treaty of Rome
 - B) Treaty of Amity and Cooperation
 - C) European Financial Stability Facility
 - D) Treaty of the Functioning of European Union
112. The Eurozone crisis was essentially a crisis.
- A) Immigration

- B) Food
- C) Sovereign debt
- D) Political

113. ASEAN was formed in

- A) 1967
- B) 1945
- C) 1999
- D) 2000

114. Thewas established in 2015 to bring about economic integrationto create a single market in ASEAN.

- A) ATIGA
- B) AEC
- C) AFTA
- D) ABIF

115. The aim of ABIF is to establish

- A) Banking integration in ASEAN
- B) Food security in ASEAN
- C) Free labour market in ASEAN
- D) Customs union in ASEAN

116. A commercial policy is a government policy related to -----

- a) Commercial transactions of private companies
- b) Economic transactions across international borders
- c) Commercial transactions of developed countries
- d) Economic transactions across internal borders

117. The classical economist Adam Smith was a champion of -----

- a) Protectionism
- b) Free Trade

c) Trade Wars

d) Good

118. The origin of protectionist policy can be traced back to -----

a) Free trade era

b) Mercantilists days

c) Globalization period

d) Classical

119. Infant Industry Argument is justified for -----

a) Protecting old industries

b) competition

c) for strengthening new industries

d) for strengthening old industries

120. Pick out the wrong statement

a) Tariffs are primarily levied to earn revenue

b) Tariffs are levied to protect domestic industries

c) Tariffs reduce the prices of the commodity on which it is levied

d) Tariffs affect the income and employment

121. Pick out the wrong statement

a) Tariffs restrict trade

b) Import quotas have a direct effect in reducing import

c) Voluntary export restraint is an example of tariff barriers

d) An export subsidy is a government grant given to an export firm

122. Economic Integration means -----

a) Repeal of tariffs

b) Removal of customs duties

c) Facilitating the movement of goods and services

d) Import

123. ----- is the highest form of economic integration

- a) Preferential trading system
- b) Free Trade Union
- c) Custom union
- d) Economic union

124. EEC -----

- a) European Economic Community
- b) Euro Economic Community
- c) European Educational Community
- d) European Earn Community

125. EEC was founded in 1957 under the treaty of -----

- a) Paris
- b) Rome
- c) Washington
- d) India

126. European union was initially formed with ----- European countries

- a) 27
- b) 28
- c) 06
- d) 05

127. The referendum for BREXIT was held on ---

- a) July 2017
- b) June 2016
- c) September 2017
- d) July2016

Business Economics

Semester 6

Module 3 Balance of Payment and International Economic Organization

- 128.** Unilateral flows in the balance of payment account refer to__.
- a) Gifts and Grants
 - b) Capital flows
 - c) Visible goods flows
 - d) Invisible flow of services
- 129.** The full form of TRIMs is_____.
- a) Trade Related Investment Measures
 - b) Trade related insurance measures
 - c) Related investment methods
- 130.** WTO was set up on_____.
- a) 1st January 1995
 - b) 1st June 1985
 - c) 31st July, 1995
 - d) 1st January 2000
- 131.** GATS stands for_.
- a) General Agreement on Trade in Services
 - b) General Agreement on Tariff and Services
 - c) General Agreement on Transport and Services
- 132.** Autonomous capital flows__other items in the balance of payments.
- a) Are independent of

- b) Depend on
- c) Are related to
- d) Have impact on

133. The current account in the balance of payments_____.

- a) Includes merchandise trade and services
- b) Is a total of all the visible items of trade
- c) Includes borrowings
- d) Includes autonomous and accommodating flows

134. A deficit in India's Balance of Trade in recent times is due to__.

- a) All of the below/ above
- b) Rise in price of crude oil
- c) Increase in imports
- d) Reduction in exports

135. Good performance on_ has helped India to reduce its current a/c balance deficit in recent times.

- a) Invisible account
- b) Trade account
- c) Capital account
- d) Visible account

136. There is an increase in_ on India's capital a/c in recent times.

- a) Non-debt foreign investment flows
- b) Private transfers
- c) Private remittances
- d) Unilateral receipts

137. After covering deficits on current a/c, excess capital a/c receipts are added to___.

- a) Foreign exchange reserves
- b) IMF account
- c) Official transfers
- d) Current account

138. Unilateral transfers

- a) All of the below
- b) Are unrequited transfers
- c) Are one-way transfers
- d) Include gifts/remittances

139. Bank capital on India's capital a/c includes___.

- a) Foreign currency deposits – NRI deposits
- b) Foreign exchange reserves
- c) Local withdrawal from NRI rupee deposits
- d) Official transfers

140. Private transfers on India's current account include_____.

- a) Local withdrawal from NRI rupee deposits
- b) Foreign currency deposits
- c) Foreign exchange reserves
- d) Foreign Currency

141. International trade increases the welfare of___.

- a) All participating countries
- b) Only exporting countries
- c) Only importing countries
- d) None of the above

142. WTO agreements incorporated ___ proposals.

- a) Arthur Dunkel
- b) Adam Smith
- c) David Ricardo
- d) John M. Keynes

143. _____ has given mandate to negotiate multilateral rules relating to services.

- a) WTO
- b) World Bank
- c) IMF
- d) ADB

144. Foreign direct investment is a part of ___.

- a) Capital account
- b) Trade account
- c) Current account
- d) Recurring account

145. External borrowing ~~ing is~~ is treated as flow.

- a) Accommodative
- b) Autonomous
- c) Invisible
- d) Visible

146. Foreign exchange reserves ~~erves~~ of India include .

- a) Foreign Currency reserves
- b) Indian currency
- c) Capital currency
- d) Current Currency

147. The highest authority of WTO is___.
- a) The Ministerial Conference
 - b) The Trade Policy Review Body
 - c) The General Council
 - d) The Dispute Settlement Body
148. The Agreement on Agriculture does not aim at___.
- a) Increasing export subsidies
 - b) Improving market access
 - c) Reducing domestic subsidies
 - d) Reducing domestic support
149. Intellectual property rights include___.
- a) Copyright
 - b) Human rights
 - c) All rights
 - d) Fundamental right
150. The current account balance of BoP does not include___.
- a) FDI
 - b) Services exports
 - c) Unilateral transfers
 - d) Non-factor services
151. _____is not a part of unilateral transfers.
- a) Short term loans
 - b) Ifts
 - c) Donations
 - d) Remittances by workers
152. _____is not a direct measure to correct BoP disequilibrium.
- a) Devaluation of exchange rate
 - b) Quotas

- c) Tariffs
- d) Import substitution

153. When BoP disequilibrium is chronic in nature and lasts for a long time, it is a sign of ___disequilibrium.

- a) Fundamental
- b) Cyclical
- c) Structural
- d) Monetary

154. When disequilibrium takes place due to changes in demand pattern for exports or imports, it is a case of _disequilibrium.

- a) Structural
- b) Cyclical
- c) Long-term
- d) Short-term

155. TRIMs agreement refers to treating foreign investment at _with domestic investment.

- a) Par
- b) Premium
- c) Discount
- d) Inequity

156. The effectiveness of devaluation depends on___.

- a) All of the below/above
- b) International cooperation
- c) Elasticity of demand for merchandise goods
- d) Elasticity of demand for services

157. Foreign exchange reserves of India include___.

- a) All of the below/above
- b) SDRs
- c) Foreign Currency Assets

d) Gold Reserves

158. In the past several years, India's capital account balance was in

_____.

- a) Surplus
- b) Deficit
- c) Balance
- d) Equal

159. Portfolio foreign investment is included in __ account of BoP.

- a) Capital
- b) Current
- c) Trade
- d) Debit

160. Expenditure switching policies to correct BoP deficit include __ of domestic currency.

- a) Devaluation
- b) Appreciation
- c) Revaluation
- d) All of the above

161. Tariffs and quotas are imposed on imports to correct BoP deficit are called as ___ measures.

- a) Direct
- b) Indirect
- c) Passive
- d) Equal

162. The sum of the total export-import demand elasticity must be ___.

- a) Greater than one
- b) Equal to one
- c) Zero
- d) Less than one

163. In the past several years, India's net invisibles were in_.
- a) Surplus
 - b) Deficit
 - c) Balance
 - d) Equal
164. In the year, country trade with the other countries has been included in -----
- a) Balance of International Trade
 - b) Under the trade balance
 - c) The local trade balance
 - d) The official balance sheet
165. International trade accounts transactions have been registered in Book Keeping and Accountancy as -----
- a) Double entry
 - b) Single entry
 - c) Triple entry
 - d) Multiple entry
166. In international trade, when revenue is excess to the expenditure means Balance of Payment -----
- a) Surplus
 - b) Deficit
 - c) Improvement
 - d) Zero
167. In Balance of trade, Cyclical imbalances are due to the -----
---.
- a) Boom and recession
 - b) Traders deficit
 - c) Constructive change

d) Buy-sell

168. Structural imbalances mostly found in ----- countries

- a) Developing
- b) Developed
- c) Underdeveloped
- d) Poor

169. GAAT Agreement was established in _____.

- a) 1947
- b) 1957
- c) 1967
- d) 1991

170. At the time of the establishment of GAAT, _____ countries has signed the agreement.

- a) 23
- b) 28
- c) 30
- d) 101

171. World Trade Organization was established in _____

- a) 01 January 1995
- b) 01 August 1997
- c) 01 May 1198
- d) 01 April 1991

172. In the year 2004 _____ countries had world Trade Organization membership.

- a) 144

- b) 121
- c) 151
- d) 45

173. Due to the world trade organization, international trade will -----

- a) Wide
- b) Narrow
- c) Limited
- d) Low

174. Due to Industrial tariff, international trade _____

- a) Will restrict
- b) Will motivate
- c) Will increase
- d) Will decrease

175. Foreign direct investment is included in

- a) Capital Account
- b) Trade Account
- c) Current Account
- d) Recurring Account

176. External Borrowing is treated as

- a) Accommodative flow
- b) Autonomous flow
- c) Invisible flow
- d) Visible flow

177. Foreign exchange reserves of India includes
- a) SDRs
 - b) Indian Currency
 - c) Indian government securities
 - d) Local Securities
178. Current Account balance includes the following_____
- a) Visible and invisible items
 - b) Exports and import goods
 - c) Only visible item
 - d) Only invisible items
179. Foreign investment included in _____
- a) Capital account balance
 - b) Current Account Balance
 - c) Foreign exchange reserves
 - d) Running account balance
180. When autonomous receipts are more than autonomous payments which of the following is in surplus _____
- a) Balance of Payments
 - b) Current account balance
 - c) Capital account balance
 - d) Foreign exchange reserves
181. Devaluation results in _____
- a) Cheaper exports

- b) Cheaper imports
- c) Increase in domestic price
- d) Fall in export

182. Devaluation to be successful the sum of the total of export-import demand elasticities must be equal _____

- a) Greater than one
- b) One
- c) Less than one
- d) Zero

183. Tariff imposed to reduce imports constitute _____

- a) Direct measures
- b) Monetary measures
- c) Both direct and indirect measures
- d) Equal measures

184. Expenditure switching policies used to correct a deficit in the balance of payments consist of _____

- a) Devaluation
- b) Revaluation
- c) Appreciation
- d) Depreciation

185. Which of the following is not the cause of the deficit in the balance of payments ____?

- a) Capital inflows
- b) Increase in imports
- c) Fall in exports

d) Globalization

186. Which of the following agreement deals with trade in services

-
- a) GATS
 - b) TRIP
 - c) TRIMS
 - d) ASEAD

187. WTO agreement on textiles has taken over from _____

- a) Multifibre Agreement
- b) Agricultural Agreement
- c) Trade agreement
- d) Special agreement

188. AoA means _____

- a) Agreement on Agriculture
- b) Agreement of Agencies
- c) Agreement of Asians
- d) Agreed on Assessment

189. Import substitution as a measure to solve _____ in balance of payment

- a) Deficit
- b) Equal
- c) Increase
- d) Decrease

T.Y.B COM Semester VI

Multiple choice questions and answers

190. Vehicle currency is

- A) A standard, internationally accepted currency
- B) A currency issued by IMF
- C) A currency, issued by RBI

191. Arbitrage refers to

- A) Arbitrary exchange rate between the two markets
- B) Purchase and sale of an assets for the same price
- C) Purchase an assets of low price market and it's sales in a higher price market.

192. Which of the following is not included in the wholesale foreign exchange market?

- A) Central bank
- B) Commercial banks
- C) Tourists

193. Arbitrage takes place because of

- A) Different in bid and ask price of different banks.
- B) Different exchange rate at different places.
- C) Both (a) and (b).

194. Speculators deal in

- A) Only in spot exchange rate
- B) Only for forward exchange rate
- C) Both (a) and (b)

195. Hedges enter forward exchange market to

- A) Cover the risk
- B) Earn profit
- C) Speculate

196. Foreign exchange market is the place where

- A) Only the foreigners purchase the required currency
- B) Exchange the currencies of only foreign countries
- C) Various national currencies are purchased and sold

197. Hedging operation helps the participants to

- A) Purchase foreign exchange
- B) Sell foreign exchange
- C) Cover the risk

198. Foreign exchange rate refers to
- A) Exchange of gold and currency
 - B) Rate of exchange between 2 currencies
 - C) Exchange of commodities
199. Under the gold standard, exchange rate can change upto
- A) Gold points
 - B) Gold species points
 - C) Gold content
200. Under IMF the exchange rate system was
- A) Gold exchange standard
 - B) Currency board system
 - C) Dollarization
201. Under the European snake exchange rate was allowed to change
- A) Total of 4.5%
 - B) Total of 2.25%
 - C) 1 percent either side
202. Fixed exchange rate system was
- A) Unstable
 - B) Less stable
 - C) More stable
203. Under the managed float, the central bank of the country intervenes to.
- A) Purchase foreign exchange
 - B) Sell foreign exchange
 - C) Purchase and sell as per the requirement
204. Under flexible exchange rate system, the exchange rate is determined by
- A) The central bank
 - B) The market
 - C) The government
205. Fixed exchange rate requires
- A) No foreign exchange reserves
 - B) Small amount of foreign exchange reserves
 - C) Large amount of foreign exchange reserves
206. Fixed exchange rate does
- A) Permit independent internal monetary and fiscal policies
 - B) Not permit independent internal monetary and fiscal policies

C) Allow a change only in fiscal policy

207. A clean float is one under which exchange rate is determined by

- A) The central bank of the country
- B) The government of the country
- C) Market forces

208. A currency that is universally accepted is known as the

- A) Nominal currency
- B) Vehicle currency
- C) Depreciated currency
- D) None of above

209. NEER expresses

- A) Exchange rate quotations adjusted for the price changes
- B) Exchange rate quotations adjusted for the changes in interest rate
- C) Exchange rate quotations adjusted to a base year rate
- D) Exchange rate quotation not adjusted for the price changes.

210. Which of the following is true for the equilibrium rate of exchange?

- A) There is no excess demand for and supply for foreign exchange
- B) There is excess demand for but not access apply for foreign exchange
- C) There is no excess supply of, but there is excess demand for foreign exchange
- D) There is excess demand fore and excess supply for foreign exchange.

211. If the demand for a country e major merchandise imports is price inelastic then

- A) The demand for foreign exchange is likely to be consistently low
- B) The demand for foreign exchange will not be affected by elastic.
- C) The demand for foreign exchange is likely to be consistently high
- D) The demand for foreign exchange is likely to be consistently low

212. Which of the following will increase the supply of foreign exchange in country?

- A) The reduction in Exports
- B) A rise is Import of goods
- C) A rise in unilateral payments
- D) A rise in important of capital

213. When the demand for foreign exchanges Rises with no change in its supply then

- A) The domestic currency will depreciated against the foreign currency
- B) Domestic currency will be appreciated against foreign currency.
- C) The foreign currency will be depreciated against the domestic currency
- D) The exchange rate will be remain constant.

214. The high interest rate in the country assuming that the interest rate in the foreign country remains the same will
- A) Reduce the supply of foreign currency in the home market
 - B) Increase the supply of foreign currency in the home market
 - C) Increase the demand of foreign currency in the home market
 - D) None of above
215. Under the gold standard the exchange rate determination between currencies is explained by
- A) Purchasing power parity theory
 - B) Theory of One price
 - C) Mint parity theory
 - D) Balance of payments theory
- 216.** -----is not true of the foreign exchange market
- a) Buying and selling of currencies
 - b) largest market
 - c) High liquidity
 - d) Existence of a central market price
217. In the determination of the exchange value of a currency, the first currency of a currency pair is called-----
- a) Price currency
 - b) Price currency
 - c) Price currency
 - d) Price currency
218. The currency used for international transactions irrespective of the importing or exporting country's currency is called -----
- a) Soft currency
 - b) Bitcoin
 - c) Vehicle currency
 - d) Price currency
219. -----is not true of the foreign exchange market
- a) it is open 24 hours a day

- b) Not one single entity can control the market
- c) Huge market
- d) It has limited geographical dispersion

220. ----- enable an investor to earn high returns while minimising capital risks.

- a) Liquidity
- b) Reserves
- c) Returns
- d) Leverage

221. Trading in foreign exchange has become fast and simple due to -----

- a) Simple procedure
- b) Geographical proximity
- c) Improved technology
- d) Technological procedure

222. The provision of foreign bills of exchange in international payments is an example of -----

- a) Transfer function
- b) Hedging function
- c) Credit function
- d) Non- Transfer function

223. The function which help in international clearing of debts of countries is known as -----

- a) Transfer function
- b) Hedging function
- c) Hedging function
- d) Non- Transfer function

224. The function which enable the traders to fix forward rates is known as -----

- a) Speculation

- b) Transfer function
- c) Hedging function
- d) Tourism

225. The demand for foreign exchange arises due to -----

- a) Commodity Export
- b) Travel expenditure abroad
- c) Export of Labour
- d) Service

226. The supply of foreign exchange comes from -----

- a) Commodity import
- b) Unilateral transfer
- c) Travelling expenses
- d) Tourism

227. The relationship between demand for foreign exchange and the exchange rate is -----

- a) Inverse
- b) Positive
- c) Direct
- d) Horizontal

228. The relationship between supply of foreign exchange and the exchange rate is -----

- a) Inverse
- b) negative
- c) Direct
- d) Horizontal

229. Equilibrium exchange rate can change according to -----

- a) Demand
- b) Interest rate

- c) Supply
- d) Elasticity

230. Purchasing power parity assumes that the prices of all goods change -----

- a) Slowly
- b) Uniformly
- c) Differently
- d) Vertically

231. Purchasing power parity theory was introduced by -----

- a) David Ricardo
- b) Gustav Cassel
- c) Alfred Marshall
- d) Amartya Sen

232. ----- is the limitation of the relative version of PPP theory

- a) Demand
- b) Supply
- c) Tastes and preferences are not considered
- d) Elasticity

233. ----- is not true of the PPP theory

- a) Assumption of the perfect competition
- b) Irrelevant to large countries
- c) Capital transfers are taken into account
- d) Assumption of the imperfect competition

234. Speculators and arbitrageurs are interested in -----

- a) Covering risk
- b) Serving society
- c) Making profit

d) goods

235. ----- deals in the foreign exchange market

a) Covering risk

b) Commercial Bank

c) Making profit

d) goods

236. ----- this feature is not true of spot rate

a) Demand and supply fixes the spot rate

b) It is the current exchange rate

c) The actual clearing of payment takes one month

d) It is based on the value of an asset at the moment

237. The forward exchange rate is the result of the activities of -----

a) demand

b) Hedgers

c) Supply

d) goods

238. Simultaneous buying of a currency in one market and selling in another to make a profit is known as -----

a) Speculation

b) Hedgers

c) Arbitraders

d) demand

239. the foreign exchange market is the----- market in the world

a) Largest

b) Small

c) Very small

d) Supply

240. ----- has enabled faster growth of the foreign exchange market

a) Technology

b) Goods

c) service

d) demand

241. WTO came into existence on January 1 of

a)1994

b)1995

c)1996

d)2000

242. _____ can lead to transfer of R &D to developing countries.

a)TRIP's

b)WTO

c)GATT

d)PPP

243. _____ treatment means treating for foreigners and locals equally.

a)Industrial

b)International

c)Domestic

d)National

244. Which of the following will increase the supply of foreign exchange in country?

a)A reduction in export

b)A rise in import of goods

c)A rise in unilateral payments

d)A rise in receipts of capital

245. Equilibrium exchange rate =

- a) Demand > supply
- b) Demand = supply
- c) Supply > demand
- d) Demand > supply < prices

246. _____ attracts more foreign exchange

- a) Higher interest rate
- b) Low interest rate
- c) Constant interest rate
- d) Equilibrium interest rate

247. The IMF started to operate in

- a) 1995
- b) 1947
- c) 1944
- d) 1954

248. In order to prevent appreciation of the rupee against the US\$, the RBI will

- a) Sell US\$
- b) Sell bonds
- c) Buy bonds
- d) Buy US\$

249. Under sterilised intervention policy, RBI is likely to

- a) Use OMO
- b) Purchase foreign currencies
- c) Sell foreign currencies
- d) Interest rate manipulation

250. Which of the following is not an assumption of the Law of One price?

- a) There are no trade barriers
- b) The two goods are identical
- c) Transport costs exist
- d) Transport costs are absent