Time: 3 hours **Marks: 100**

N.B. 1. All questions are compulsory.

2. Figures to the right indicate full marks.

3. Draw a neat diagram wherever necessary.

Q1 A. Choose the correct answer and rewrite the statement (Any Ten) **10**

1. International trade will not take place under______ cost difference.

a) comparative b) absolute

c) equal d) average

2. If $\frac{PK}{PL}\, USA < \frac{PK}{PL}\, India,$ India is __________country.

a) Labour scarce b) Capital abundant

c) Labour abundant d) Labour neutral

3. Reciprocal demand is expressed in terms of _________

a) Cost curves b) Supply curves

c) Offer curves d) Lorenz curve

4. The main objective of trade barriers is --------------.

a) To increase employment b) To reduce unnecessary imports.

c) To increase exports d) To increase imports

5. Imposition of tariff, raises domestic prices causing fall in consumption of domestic goods is ________ effect of tariffs.

a) Productive effect b) Revenue effect

c) Protective effect d) Transfer effect

6. Brexit is the name given to the departure of ________ from the European Union.

a) Belgium b) Britain

c) Poland c) Bulgaria

7. Current account balance records all the receipts and payments for______

a) Only visible items b) Only invisible items

c) Both visible and invisible items d) Loans taken

8. Devaluation is --------------- adjustment in value of the currency of the country

a) Downward b) Upward

c) Vertical d) Neutral

9. WTO replaced ------- in 1995.

a) TRIPS b) TRIMs

c) GATT d) GATs

10. As per Purchasing Power Parity theory exchange rate is determined by comparing______

a) Prices b) Import

c) Purchasing power d) Export

11. Spot exchange rate is __________

a) Managed exchange rate b) Fixed exchange rate

c) Floating exchange rate d) Current exchange rate

12. Hedging function is about covering risk through_________

a) Speculation b) Forward exchange.

c) Static exchange d) Backward exchange

Q.1. B) State whether the following statements are TRUE or FALSE (Any 10) 10

1. According to modern theory, there is no need for a separate theory of international trade.
2. Jacob Viner developed the concept of Income terms of trade .
3. Equilibrium terms of trade are determined through offer curves.
4. Free trade leads to an increase in cost and inefficiency.
5. Specific duties are imposed on a fixed percentage of the value of imported goods.
6. India is a dialog partner of ASEAN.
7. Medium-term loans of a country are denoted in the Current account of BOP.
8. Exchange control is restricting the use of foreign currency.
9. TRIPs agreement covers intellectual property in case of geographical Identities.
10. Countries in the world are following a fixed exchange rate system.

11. Speculation is opposite to hedging.
12. The aim of RBI's intervention in the foreign exchange market is to reduce excess volatility.

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

A. Explain Ricardian Comparative Cost Difference Theory of International Trade.
B. Discuss different concepts of Terms of Trade.
C. Describe various types of gains from trade.

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

A. Discuss the arguments in favour of and against free trade policy.
B. Describe different types of tariffs.
C. Explain the objectives and achievements of the European Union.

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

A. Explain the concept and structure of balance of payments.
B. Analyze different measures to correct disequilibrium in balance of payments.
C. Briefly explain the WTO's TRIPs and TRIMs agreements.

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

A. Explain how the equilibrium rate of exchange is determined.
B. Discuss the purchasing power parity theory of exchange rate determination.
C. Explain the role of central bank in foreign exchange management.

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

A. Offer Curves
B. Types of Economic integration
C. Effects of Tariffs
D. Functions of foreign exchange market
E. Spot and Forward exchange rate
F. Types of disequilibrium in balance of payment.

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