

B.A. DEGREE (C.B.C.S.S.) EXAMINATION, MARCH 2015**Sixth Semester**

B.A. Economics (Model I)

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)***Answer all questions.**Each bunch of four questions carries a weight of 1.*

I. Choose the correct alphabet only :

1 Adam Smith propounded :

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

2 In international trade, the common factor of production reckoned by classicals were :

- (a) Land.
- (b) Labour.
- (c) Capital.
- (d) Division of labour.

3 Trade between nations arises due to difference in :

- (a) Cost of production.
- (b) Complementarity of needs.
- (c) Multitude of commodities.
- (d) All the above.

4 Hecksher-Ohlin theory explains international trade in terms of :

- (a) Differences in productivity.
- (b) Demand differences.
- (c) Differences in factor endowments.
- (d) None of these.

II. 5 Factor reversal causes :

- (a) Leontief paradox.
- (b) Fall in terms of trade.
- (c) More imports and less exports.
- (d) More exports and less imports.

Turn over

- 6 Modern theory of international trade predicts that trade causes the factor difference between nations to :
- (a) Diminish. (b) Increase.
(c) Remain the same. (d) None of these.
- 7 Transactions involving exports and imports of goods and services are entered in the BOP account as :
- (a) Current account.
(b) Capital account.
(c) Net official international reserve.
(d) Official settlement balance.
- 8 Every international transaction automatically enters the BOP twice, once as a credit and once as a debit. This principle used in BOP calculations is :
- (a) Double entrybook keeping. (b) IMF guideline.
(c) WTO guideline. (d) None of these.
- III. 9 If a country has deficit in balance of current account, the balance of capital account will be :
- (a) Zero. (b) Deficit.
(c) Surplus. (d) None of these.
- 10 A BOP surplus can be corrected through :
- (a) Devaluation. (b) Export promotion.
(c) Appreciation of currency. (d) All the above.
- 11 Depreciation of a nation's currency usually causes domestic prices to :
- (a) Fall. (b) Rise.
(c) Remain unchanged. (d) None of these.
- 12 Hedging refers to :
- (a) Depreciation of a currency.
(b) Appreciation of a currency.
(c) Covering of a foreign, exchange risk.
(d) Acceptance of a foreign exchange risk.
- IV. 13 PPP theory was formulated by :
- (a) Learner. (b) Marshall.
(c) Ricardo. (d) Gustav Cassel.

- 14 The Brettonwoods agreement led to the formation of :
- (a) GATT. (b) IBRD.
(c) IMF. (d) Both (b) and (c).
- 15 Special Drawing Right created by IMF in 1967 was an :
- (a) IMF currency. (b) Artificial reserve asset.
(c) US bonds. (d) None of these.
- 16 "GATT" was a forerunner of :
- (a) WTO. (b) TRIPS.
(c) TRIMS. (d) IMF.

(4 × 1 = 4)

Part B (Short Answer Questions)

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

- 17 Explain terms of trade.
18 Explain Leontief paradox.
19 What are the dynamic gains from trade ?
20 Explain Marshall-Lerner condition.
21 Explain equilibrium in BOP.
22 Explain mint parity theory.
23 Explain effective rate of exchange.
24 Explain fixed exchange rate system.

(5 × 1 = 5)

Part C (Short Essays)

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

- 25 How do you distinguish between Internal trade and International trade ?
26 Explain the arguments in favour of free trade.
27 Explain the functions of IBRD.
28 Explain the functions of an exchange market.
29 Explain the purchasing power parity theory.
30 Write a note on the current BOP situation of Indian economy.

(4 × 2 = 8)

Turn over

Part D (Long Essays)

Answer any **two** questions not exceeding 450 words each.

Each question carries a weight of 4.

- 31 Explain the BOP disequilibrium. What are the measures available to overcome a disequilibrium situation in BOP ?
- 32 Explain the comparative advantage theory in terms of opportunity cost principle.
- 33 Explain the formation of WTO and its role in global trade.

(2 × 4 = 8)