

Enrollment No.....



Faculty of Commerce
End Sem (Even) Examination May-2019
CM3EG07 International Trade

Programme: B.Com.(Hons) Branch/Specialisation: Commerce

Duration: 3 Hrs.**Maximum Marks: 60**

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d.

- Q.1 i. Which among the following is not the benefit of International trade? **1**
 (a) Increase in FOREX reserves
 (b) Import Substitution
 (c) Increase in GDP
 (d) Dumping
- ii. Trade Deficit is a condition when: **1**
 (a) Imports < Exports (b) Exports < Imports
 (c) Exports = Imports (d) Both (a) and (c)
- iii. The..... holds that countries are likely to be abundant in different types of resources. **1**
 (a) Factor endowment theory (b) Factor abundant theory
 (c) Factor reduction theory (d) Factor's theory.
- iv. The model is a theory in economics explaining that countries export what can be most efficiently and plentifully produced. **1**
 (a) Heckscher-Ohlin, (b) Neo-Classical
 (c) Adam –Smith (d) Porter's
- v. Gain from specialization and exchange depends on the..... **1**
 (a) Price (b) Policy (c) Terms of trade (d) Business
- vi. "Tc = Px/Pm" refers to: **1**
 (a) Net Barter Terms of trade (b) Gross Barter terms of trade
 (c) Barter terms of trade (d) Free trade
- vii. Balance of payments accounts are an accounting record of all _____ transactions between a country and the rest of the world. **1**
 (a) Trade (b) Monetary (c) Non-monetary (d) All of these
- viii. _____ has not been used as a measure to correct BOP disequilibrium. **1**
 (a) Deflation (b) Devaluation
 (c) Export Promotion (d) Break-even Point

- ix. Exchange or pegging of one currency to another convertible currency is called as _____. **1**
 (a) Foreign Exchange (b) Forex Reserve
 (c) Forex Market (d) Foreign Market
- x. A _____ is a regime applied by a country whereby the government or central bank ties the official exchange rate to another country's currency or to the price of gold. **1**
 (a) Fixed exchange rate (b) Floating exchange rate
 (c) Mixed exchange rate (d) Flexible Exchange Rate

- Q.2 i. Explain meaning of international trade. **2**
 ii. Explain nature and factors promoting international trade. **8**
 OR iii. Explain role of international trade in economic growth. **8**
- Q.3 i. Explain the concept of Mercantilism. **2**
 ii. Explain theory of absolute advantage. **8**
 OR iii. Explain theory of factor endowment, its assumptions with example. **8**
- Q.4 i. Define terms of trade. **2**
 ii. Explain net barter terms of trade & gross barter terms of trade **8**
 OR iii. Explain concept of devaluation, effects of devaluation on exports and imports. **8**
- Q.5 i. Explain components of balance of payments. **2**
 ii. Explain the factors causing BOP disequilibrium and measures to correct it. **8**
 OR iii. Explain meaning, objectives, types and effects of dumping. **8**
- Q.6 Attempt any two:
 i. Explain meaning of foreign exchange rate & types of exchange rates. **5**
 ii. Explain functions of foreign exchange market and causes of change in the exchange rate. **5**
 iii. Explain the factors that determine equilibrium in exchange rate with example. **5**

P.T.O.

Marking Scheme
CM3EG07 International Trade

Q.1	i.	Which among the following is not the benefit of International trade? (d) Dumping	1
	ii.	Trade Deficit is a condition when: (b) Exports < Imports	1
	iii.	The..... holds that countries are likely to be abundant in different types of resources. (a) Factor endowment theory	1
	iv.	The model is a theory in economics explaining that countries export what can be most efficiently and plentifully produced. (a) Heckscher-Ohlin,	1
	v.	Gain from specialization and exchange depends on the..... (c) Terms of trade	1
	vi.	“Tc = Px/Pm” refers to: (a) Net Barter Terms of trade	1
	vii.	Balance of payments accounts are an accounting record of all _____ transactions between a country and the rest of the world. (d) All of these	1
	viii.	_____ has not been used as a measure to correct BOP disequilibrium. (d) Break-even Point	1
	ix.	Exchange or pegging of one currency to another convertible currency is called as _____ (a) Foreign Exchange	1
	x.	A _____ is a regime applied by a country whereby the government or central bank ties the official exchange rate to another country's currency or to the price of gold. (a) Fixed exchange rate	1
Q.2	i.	Meaning of international trade.	2
	ii.	Nature promoting international trade 3 marks Factors promoting international trade 5 marks	8
OR	iii.	Any eight role of international trade in economic growth. 1 mark for each role (1 mark * 8)	8
Q.3	i.	Concept of Mercantilism.	2
	ii.	Theory of absolute advantage Statement 2 marks Assumptions 1 mark Explanation 4 marks	8

OR	iii.	Criticism 1 mark Theory of factor endowment, its assumptions with example. Statement 2 marks Assumptions 1 mark Explanation 4 marks Criticism 1 mark	8
Q.4	i.	Definition of trade.	2
	ii.	Net barter terms of trade 4 marks Gross barter terms of trade 4 marks	8
OR	iii.	Concept of devaluation 3 marks Any five effects of devaluation on exports and imports. 1 mark for each effect (1 mark * 5) 5 marks	8
Q.5	i.	Components of balance of payments.	2
	ii.	Any four factors causing BOP disequilibrium 1 mark for each factor (1 mark * 4) 4 marks Any four factors measures to correct 1 mark for each factor (1 mark * 4) 4 marks	8
OR	iii.	Dumping 2 marks Meaning 2 marks Any two Objectives 1 mark for each (1 mark * 2) 2 marks Any two Types 1 mark for each (1 mark * 2) 2 marks Any two Effects of dumping. 1 mark for each (1 mark * 2) 2 marks	8
Q.6	i.	Attempt any two: Meaning of foreign exchange rate 2 marks Any three types of exchange rates. 1 mark for each type (1 mark * 3) 3 marks	5
	ii.	Functions of foreign exchange market 2 marks Any three causes of change in exchange rate 1 mark for each cause (1 mark * 3) 3 marks	5
	iii.	Any five factors that determine equilibrium in exchange rate 1 mark for each factor (1 mark * 5)	5
