



**AUTUMN END SEMESTER EXAMINATION-2023**  
**3<sup>rd</sup> Semester B.Tech**

**INTERNATIONAL ECONOMIC COOPERATION**  
**HS20122**

**(For 2023 (L.E), 2022 & Previous Admitted Batches)**

Time: 3 Hours

Full Marks: 50

*Answer any SIX questions.*

*Question paper consists of four SECTIONS i.e. A, B, C and D.*

*Section A is compulsory.*

*Attempt minimum one question each from Sections B, C, D.*

*The figures in the margin indicate full marks.*

*All parts of a question should be answered at one place only.*

**SECTION-A**

1. Answer the following questions: [1 × 10]
- (a) Explain the relationship between the foreign exchange rate and the demand for foreign exchange.
  - (b) Explain the differences between 'appreciation' and 'depreciation' of the domestic currency, with a hypothetical example.
  - (c) Where are borrowings from abroad recorded in the Balance of payment account and why?
  - (d) If 1 dollar = Rs. 60 changes to 1 dollar = Rs. 69 by the mandate of the RBI, what is it called from the following: Appreciation, Depreciation, Devaluation or Revaluation.  
Explain the concept chosen.
  - (e) Give examples of 4 invisible items of the Balance of payment account.
  - (f) The price of 1 US Dollar has fallen from Rs.50 to Rs.48. Has the Indian currency appreciated or depreciated? Is this a rise or fall in the Indian exchange rate?

- (g) The Balance of trade shows a deficit of Rs.300 crores. The value of exports are Rs.500 crores. What is the value of imports?
- (h) If €1 = Rs 75 & \$1 = Rs 60. What is the exchange rate between Euro(€) and dollar (\$)?
- (i) What are Special Drawing Rights? State its significance in the global financial market.
- (j) Explain Forward Exchange Rate contract with an example.

### SECTION-B

2. (a) The nation of Bermuda is “small” and assumed to be unable to affect world prices. It imports strawberries at the price of 10 dollars per box. The Domestic Supply and Domestic Demand curves for boxes are: [4]

$$S = 60 + 20P$$

$$D = 1160 - 15P$$

Assume Bermuda is Completely open to trade. What is the equilibrium price and quantity consumed? How much is produced domestically, and how much is imported?

- (b) **With reference to the above question in 2a,** [4]

Now consider the effect of an import quota of 400 boxes. What happens to the price of strawberries and the quantity consumed? How much will be imported now?

3. (a) Calculate the PPP of french fries when they cost \$2.87 in the US and £1.94 in the UK. Is the dollar overvalued or undervalued? [4]

- (b) Explain the Purchasing Power Theory of Exchange Rate Determination with example. [4]



### SECTION-C

4. (a) In which sub-account and on which side of the Balance of Payment account will foreign investment in India be recorded? Explain why? [4]  
What will be the effect of foreign investment on India's exchange rate? Explain the reason.
- (b) How does the appreciation and depreciation of the currency affect exports and imports? [4]
5. (a) You go to purchase a textbook in your country for \$17.99. That same book will cost you £13.56 in the UK. The exchange rate is £1 per \$1.23. What is the PPP? Is the USD under or overvalued? [4]
- (b) Differentiate between the Pegged and Flexible exchange Rate systems with examples and adequate diagrams. [4]
6. (a) Explain the Mint Parity Theory of Exchange Rate Determination. [4]
- (b) Differentiate between Trade Creation and Trade Diversion with example. [4]

### SECTION-D

7. (a) Explain the Theory of Reciprocal Demand with Adequate Diagram. [4]
- (b) Describe 4 factors influencing the foreign exchange rate of the currency. Describe their effect on its appreciation and depreciation. [4]
8. (a) Compare and contrast between the origin and function of the International Monetary Fund and the World Trade Organisation. [4]
- (b) Highlight on 6 important features of India's EXIM policy, 2022-23. [4]

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