AUTUMN END SEMESTER EXAMINATION-2024
…5th.. Semester, …B.Tech…...… (Programme)

SUBJECT: INTERNATIONAL ECONOMIC COOPERATION
CODE: HS 20122

(For ….. 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.
Candidates are required to give their answers in their own words as far as practicable
and <u>all parts of a question should be answered at one place only</u>.

		SECTION-A (Learning levels 1 and 2)		Learning levels as per Bloom's taxonomy	Course Outcomes (CO)
1.		Answer the following questions.	[1 × 10]		
	(a)	If today the recorded exchange rate is 1 INR = 0.01189 USD , how much is 1 USD to INR today ? **Sol : 1 / 0.01189 =>> 1\$ = 84.104**		1	CO4
	(b)	Calculate the value of imports when the balance of trade (merchandise) is (-) Rs 800 crores and the value of exports is Rs 500 crores. **Sol. Value of imports = 1300**		3	CO6
	(c)	What is mean by Mint Parity ? Sol: Will expalin in brief mint parity concept		2	CO3
	(d)	Briefly describe any two features of the FOREX market. Sol: Will describe any two features like liquidity, volatility , speculative etc		4	CO6
	(e)	Mention the major cause behind the collapse of the Bretonwoods Monetary system . **Sol: Non-convertibility of dollar and its declaration as a fiat currency**		1	CO2
	(f)	What is theSpecial Drawing Rights(SDR)? **Sol: It consists of a basket of currencies. It gives its member nations a claim to currency rights deviced by the IMF for international monetary transactions.**		2	CO6
	(g)	How does appreciation of the domestic currency affects the imports of the country and its trade balancd? **Sol. Makes imports cheaper and can help to reduce its trade deficit.**		5	CO2
	(h)	Recently Iran has agreed to accept the payment of the export of oil and		5	CO6

		petroleum to India in terms of rupees, instead of dollars or any other currency. How can this be beneficial to India ? Explain in brief. **Sol. It will help India in managing its foreign exchange reserves more effectively, in reducing dependence on US dollars, in strengthening its bilateral ties with Iran etc.** **(can elaborate with ideas)**		
	(i)	If India is a net receiver of remittances from foreign countries, what will be the effect on its remittances if there is a depreciation of the Indian rupee? **Sol: Its earning from remittances will increase.**	2	CO3
	(j)	What is the relevance of the Intellectual Property Right (IPR) policy in world trade ? What do you mean by the GI tag and what is its relevance? **Sol: IPR is vital for protecting innovations etc in foreign trade and investment.** **GI refers to geographical indicators , useful for protecting the origination of goods, services , ideas etc .**	3	CO4

SECTION-B (Learning levels 1,2, and 3)			Learning levels as per Bloom's taxonomy	Course Outcomes (CO)
2.	(a)	What are the components of the Current account of the BOP. Give two examples of each. **Sol: Will describe about the trade in goods , trade in services and the unilateral transfers.**	[4] 6	CO2
	(b)	In China an iPad costs ¥2500 (Chinese Yuan). The same iPad costs £300 in the UK. Given that the current exchange rate is ,£1=¥8.85, where is the iPad cheaper and by how much? **Sol: Convert £300 into Chinese Yuan = 300×8.85= ¥2655. This would be more expensive than the price in China by ¥155. So it is cheaper in China by ¥155**	[4] 6	CO2
3.	(a)	Describe the role of the United States in the creation and termination of the Breton Woods Monetary system. Sol: USA was the main support in the creation of the BW monetary system through its dollar convertibility to gold , and also the major reason for its termination through its declaration of dollar as a fiat currency(**will elaborate further)**	[4] 6	CO6
	(b)	Sindra has an amount of US$ to convert into GBP for her upcoming trip.The exchange rate currently stands at USD/GBP is 0.73. If the amount of money she has in GBP is £547.50 , how much USD has she converted ? What is the rate of GBP/USD ? **Sol. i.** £547.50 = USD x 0.73 So, the amount of USD converted = £547.50 /0.73 = USD$750 ii. The rate of GBP/USD = 1 / 0.73 = so, £1 = US$1.37	[4] 4	CO4
			Learning levels as per Bloom's	Course Outcomes

			taxonomy	(CO)

4.	(a)	Fill the blanks in the given table shown with ?? :	[4]	6	CO6

	Credits (+), Debits (-)	$m (2022)	
		Current account	
1		**Exports of goods** **Sol: Exports -425 = -40** **Exports are therefore equal to $385m**	??
2		Imports of goods	-425
3		*Balance of trade in goods*	-40
4		Exports of services	165
5		Imports of services	-185
6		**Balance of trade in services** **Sol: The *balance of trade in services* is the net of exports and imports of services. We therefore have:** **165 - 185 = *balance of trade in services*** **The *balance of trade in services* is therefore -$20m.**	??
7		Income receipts (investment income)	190
8		**Income payments (investment income)** **Sol: The *net income receipts* (line 9) are the net of *income receipts* and *income payments*. We therefore have:** **190 - income payments = 15** ***Income payments* are therefore -$175m**	??
9		Net income receipts (investment income)	15
10		Current transfers (net)	-50
11		**Net income flows** **Sol: *Net income flows* are the net of net *income receipts* and *net current transfers*. We therefore have:** **15 - 50 = net income flows** ***Net income flows* are therefore -$35m**	??
12		**Current account balance** **Sol: The *current account balance* is the sum of the *balance of trade in goods* (line 3), the *balance of trade in services* (line 6) and *net income flows* (line 11). We**	??

			therefore have: **-40 -20 - 35 = current account balance** **The *current account balance* is therefore -$95m**				
			Capital account				
		13	Capital account transactions (net)	40			
			Financial account				
		14	Direct investment, net	65			
		15	Portfolio investment, net	-50			
		16	Reserve assets funding	20			
		17	Errors and omissions	20			
		18	**Capital and financial account balance** **Sol:** The balance of payments has to balance. In other words the net of the *current account balance* and the *capital and financial account balance* must be 0. Since the current account is -$95, the *capital and financial account balance* must be +$95m.	**??**			

	(b)	With respect to the BOP table in question 5 (a),, analyse the findings of the balances wit respect to:
		
		 I. Current account balance
		
		 II. Capital account balance
		
		 III. BOP balance
		
		 Sol: I. Current account balance is negative -95(will write abount its components)
		
		   II. Capital account balance is +95 (will write abount its components)
		
		   III. BOP is in balance , because of I and II above.
			[4]	5	CO4

5.	(a)	Describe the effect of inflation on domestic currency's exchange rates(appreciation and depreciation) as well as trade balances. **Sol: High inflation makes domestic exports costlier making them lose competitiveness in international market and fall in demand. This will lead domestic currency to depreciate. This in turn may increase trade deficit.** **And vice versa.**	[4]	4	CO4
	(b)	Differentiate between fixed and flexible exchange rates with adequate diagrams. **Sol: Will differenciate between the fixed and flexible exchange rates.**	[4]	5	CO5
		SECTION-D (Learning levels 4,5,6)		Learning levels as per Bloom's taxonomy	Course Outcomes (CO)
6.	(a)	The Uruguay Round of GATT was a milestone in the World Trade System. Explain the truth of this statement in context to the WTO.	[4]	3	CO1
	(b)	Suppose an American visits a particular market in India. The visitor bought 25 cupcakes for ₹250 . If he claims that on average, 25 such	[4]	4	CO4

cupcakes cost $6 in America, answer the following questions.

i. Calculate the purchasing power parity of India w.r.t U.S. based on the given information.
ii. Where is the cupcakes cheaper? Explain your answer.

Sol. Given the cost of 25 cupcakes in INR = ₹250

Cost of 25 cupcakes in USD = $6.

So, the purchasing power parity of India w.r.t U.S.: = Cost of 25 cupcakes in INR / Cost of 25 cupcakes in USD

= ₹250 / $6 = ₹41.67 per dollar.

Therefore, the purchasing power parity ratio of the exchange for cupcakes is USD1 = INR 41.67.

Ii. The cupcakes are cheaper in India because $1 can purchase Rs 41.67 worth of cupcakes in India (whereas Re 1 can purchase $0.024 worth of cupcakes in America)

*****

Signature of Paper Setter/Moderator: …Dr Swapnamoyee Palit
Full Name of Paper Setter/Moderator: ……Dr Swapnamoyee Palit

Mobile No. of Paper Setter/Moderator: …………8917460748………………………………….