Course: B.A. (Hons.) Business Economics (CBCS) / Semester VI
Paper: International Economics

Assignment: What is meant by tariff? What have been the consequences of the US-China Trade war on the two countries?

Internal Examination, 2019

Duration: 2 Hrs. ***All questions are compulsory***
Max Marks: 50

Q1) Explain what is Theory of Absolute Advantage? What are the exceptions to the theory of absolute advantage?

OR

Explain what is Theory of Comparative Advantage and how is it related to Opportunity Cost theory? What are the exceptions to this theory? (15)

Q2) Explain what is H-O Theory, its assumptions and what does it say about Factor Intensity and Factor Abundance?

OR

What is a Tariff and its various kinds? Explain diagrammatically the partial equilibrium effects of tariff. (15)

Q3) Write short note ***on any two*** of the following: (10X2)

a) Breton Wood System of Exchange
b) BOP deficit correction under Gold Exchange System
c) Leontief Paradox
d) Letter of Credit
e) Basic principles of GATT and WTO.

MCQ’S FOR INTERNATIONAL ECONOMICS

1. Which of the following is international trade:

A. Trade between provinces
B. Trade between regions
C. Trade between countries
D. (b) and (c) of above

Answer: Option **C**

2. Theory of comparative advantage was presented by:

A. Adam Smith
B. Ricardo
C. Hicks
D. Arshad

Answer: Option **B**

Q3. Which is NOT an advantage of international trade:

A. Export of surplus production
B. Import of defence material
C. Dependence on foreign countries
D. Availability of cheap raw materials

Answer: Option **C**

4. If Japan and Pakistan start free trade, difference in wages in two countries will:

A. Increase
B. Decrease
C. No effect
D. Double

Answer: Option **B**

5. Trade between two countries can be useful if cost ratios of goods are:

A. Equal
B. Different

C. Undetermined **D.** Decreasing

Answer: Option **B**

6. Modern theory of international trade is based n the views of:

A. Robbins and Ricardo **B.** Adam Smith and Marshall

C. Heckcsher and Ohlin **D.** Saleem and Kareem

Answer: Option **C**

7. Foreign trade creates among countries:

A. Conflicts **B.** Cooperation

C. Hatred **D.** Both (a) & (b)

Answer: Option **B**

8. Net exports equal:

A. Exports x Imports **B.** Exports + Imports

C. Exports – Imports **D.** Exports of services only

Answer: Option **C**

9. A tariff:

A. Increases the volume of trade **B.** Reduces the volume of trade

C. Has no effect on volume of trade **D.** (a) and (c) of above

Answer & Explanation

Answer: Option **B**

Explanation:

View Answer Workspace Report Discuss in Forum

10. A tariff is:

A. A restriction on the number of export firms **B.** Limit on the amount of imported goods

C. Tax and imports

D. (b) and (c) of above

Answer: Option **C**

11. Dumping refers to:

A. Buying goods at low prices abroad and selling at higher prices locally

B. Expensive goods selling for low prices

C. Reducing tariffs

D. Sale of goods abroad at low a price, below their cost and price in home market

Answer: Option **D**

12. According to Hecksher and Ohlin basic cause of international trade is:

A. Difference in factor endowments

B. Difference in markets

C. Difference in political systems

D. Difference in ideology

Answer: Option **A**

13. All are advantages of foreign trade EXCEPT:

A. People get foreign exchange

B. Nations compete

C. Cheaper goods

D. Optimum utilisation of country's resources

Answer: Option **A**

14. Two countries can gain from foreign trade if:

A. Cost ratios are different

B. Tariff rates are different

C. Price ratios are different

D. (a) and (c) of above

Answer: Option **D**

15. International trade and domestic trade differ because of:

A. Trade restrictions

B. Immobility of factors

C. Different government policies **D.** All of the above

Answer: Option **D**

16. Terms of trade of developing countries are generally unfavourable because:

A. They export primary goods **B.** They import value added goods

C. They export few goods **D.** (a) and (b) of above

Answer: Option **D**

17. Term of trade of a country show:

A. Ratio of goods exported and imported **B.** Ratio of import duties

C. Ratio of prices of exports and imports **D.** (a) and (c) of above

Answer: Option **C**

18. In a free trade world in which no restrictions exist, international trade will lead to:

A. Reduced real living standard **B.** Decreased efficiency

C. Increased efficiency **D.** Reduced real GDP

Answer: Option **C**

19. Govt. policy about exports and imports is called:

A. Monetary policy **B.** Fiscal policy

C. Commercial policy **D.** Finance policy

Answer: Option **C**

20. What would encourage trade between two countries:

A. Different tax system **B.** Frontier checks

C. National currencies **D.** Reduced tariffs

Answer: Option **D**

21. It is drawback of protection:

A.	Consumers have to pay higher prices	**B.**	Producers get higher profits
C.	Quality of goods may be affected	**D.**	All of the above

Answer: Option **D**

22. It is drawback of free trade:

A.	Prices of local goods rise	**B.**	Government looses income from custom duties
C.	National resources are underutilized	**D.**	(a) and (b) of above

Answer: Option **B**

23. Gold standard means:

A.	Currency of the country is made of gold	**B.**	Paper currency is not used
C.	Currency of the country is freely convertible into gold	**D.**	(a) and (c) of above

Answer: Option **D**