

Sub :International Economy (301)
Course : BA Eco Vth Sem

Sl no	Questions	A	B	C	D	Ans
1	If a nation has an open economy it means that the nation:	Allows private ownership of capital	Has flexible exchange rates	Has fixed exchange rates	Conducts trade with other countries	D
2	The term Euro Currency market refers to	The international foreign exchange market	The market where the borrowing and lending of currencies take place outside the country of issue	The countries which have adopted Euro as their currency	The market in which Euro is exchanged for other currencies	B
3	Dumping refers to:	Reducing tariffs	Sale of goods abroad at low a price, below their cost and price in home market	Buying goods at low prices abroad and selling at higher prices locally	Expensive goods selling for low prices	B
4	International trade and domestic trade differ because of:	Different government policies	Immobility of factors	Trade restrictions	All of the above	D
5	Market in which currencies buy and sell and their prices settle on is called the	International bond market	International capital market	Foreign exchange market	Eurocurrency market	C
6	Which one is not associated with the UNO	ILO	WHO	ASEN	All of the above	C
7	International Labor Organization is agency of	IBRD	UN Security Council	International Fund for Agricultural Development	United Nations	D
8	Headquarter of International Labor organization is located in	Geneva	Rome	France	Tokyo	A
9	General Agreement on Tariffs and Trade (GATT) went into effect?	1945	1948	1946	1947	B
10	Which of the following is the main objective behind the establishment of WTO	To settle disputes between nations	To widen the principle of free trade to sectors such as services and agriculture	To cover more areas than GATT	All of them	D

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11	International Labor Organization received nobel Peace Prize in	1965	1969	1966	1975	B
12	" Term of trade " between two countries refer to a ratio of	Export prices to import prices	Currency Values	Export to imports	Balance of trade to balance of payments	A
13	Which of the following best describes a benefit of export prices exceeding import prices?	It provides quality review services	It increases the amount of commodities the country can purchase	It makes removal of trade tariffs very beneficial.	It increases the amount of commodities that a country can export.	
14	When was GATT replaced with WTO?	1994	1992	1995	1993	C
15	WTO comes as the third economic pillar of world-wide dimensions along with the World Bank and	International Monetary Funds (IMF)	international Economic Association (IEA)	International Funding Organisation (IFO)	International Development Bank (IDB)	A
16	Gold standard means	Currency of the country is made of gold	Paper currency is not used	Currency of the country is freely convertible into gold	(A) and (C)	D
17	Underlying the application of the monopolistic competition model to trade is the idea that trade	increases market size	allows companies to charge higher price	increases consumer choices	decreases the number of firms in an industry	A
18	Which of the following trade policies limits specified quantity of goods to be imported at one tariff rate	Quota	Import tariff	Specific tariff	All of the above	A
19	In the 2-factor, 2 good Heckscher-Ohlin model, the two countries differ in	Military capabilities	labour productivities	relative availabilities of factors of production	Taste	C
20	Since 1980s which of the following changes has happened in the world trade?	Share of "north-north" trade has decreased in total merchandise exports	Share of "south--south" trade has increased in total merchandise eports	share of agriculture produce has decreased in total merchandise exports	all of the above	D
21	According to Ricardo, a country will have a comparative advantage in:	Industries in which there are neither imports nor exports	import competing industrie	Industries that sell to domestic and foreign buyers	industries that sell to only foreign buyers	C

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22	If a country has a linear (downward sloping) production possibilities frontier, then production is said to be	constant opportunity costs	decreasing opportunity costs	first increasing and then decreasing opportunity costs	increasing opportunity costs.	A
23	Boeing aircraft company was able to cover its production costs of the first —jumbo jet in the seventies because Boeing could market it to several foreign airlines in addition to domestic airlines. This illustrates:	How economies of scale make possible a larger variety of products in international trade.	A transfer of wealth from domestic consumers to domestic producers as the result of trade	How a natural monopoly is forced to behave more competitively with international trade	How a natural monopoly is forced to behave less competitively with international trade	A
24	Wassily Leontief used an input-output table in order to test the	Ricardian theory of comparative advantage	Heckscher Ohlin theory of comparative advantage	Linder theory of overlapping demand	all of the above	B
25	Which of the following is one of the conclusions of New Trade Theory	Countries as a whole must gain from trade	A country can only hurt itself by using government policies to promote exports	Consumers gain from the increased variety of goods that trade makes available	A country may export a good or import it, but not both	C
26	A tax of 20 cents per unit of imported cheese would be an example of a (an):	Compound tariff	Effective tariff	Ad valorem tariff	Specific tariff	D
27	According to the _____ argument for protection, tariffs can shield new industries from import competition until they have grown strong and efficient enough to withstand the competition by foreign producers.	Scientific tariff argument	Infant industry argument	beggar thy neighbour argument	foreign dumping argument	B
28	Ad valorem tariffs are collected as	fixed amounts of money per unit traded	a percentage of the price of the product	a percentage of the quantity of imports	all of the above	B
29	Which of the following does not form part of current account under balance of payments?	Export and import of goods	Export and import of services	Income receipts and payments	Capital receipts and payments	D
30	Gifts and Relief are	Merchandise Payment	Service Payment	Factory Income	Transfer payment	D

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31	A country is said to be in debt trap if	It has to abide by the conditionality imposed by the International Monetary Fund	It is required to borrow money to make interest payments on outstanding loans	It has been refused loans or aid by creditors	The World Bank charges a very high rate of interest on outstanding as well as new loans	B
32	The effective rate of protection	distinguishes between tariffs that are effective and those that are ineffective	is the minimum level at which a tariff becomes effective in limiting imports	shows how effective a tariff is in raising revenue for the government	shows the increase in value added for domestic production that a particular tariff structure makes possible, in percentage terms	D
33	Which type of tariff is expressly forbidden by the U.S. Constitution?	Import tariff	Export tariff	Specific tariff	Ad valorem tariff	B
34	Arguments for free trade are sometimes disregarded by politicians because:	Maximizing domestic efficiency is not considered important	Maximizing consumer welfare may not be a chief priority	other economies	Economists tend to favor highly protected domestic markets	B
35	Technological improvements are similar to international trade since they both:	Provide benefits for all producers and consumers	increase the nation aggregate income	Reduce unemployment for all domestic workers	Ensure that industries can operate at less than full capacity	B
36	A widely used indicator to differentiate developed countries from developing countries is:	international trade per capita	real income per capita	unemployment per capita	calories per capita	B
37	All of the following are debit items in the balance of payments, except:	capital outflows	merchandise exports	private gifts to foreigners	foreign aid granted to other nations	B
38	The role of ----- is to direct one nation's saving into another nation	merchandise trade flows	services flows	current account flows	capital flows	D
39	The current account includes	the value of trade in merchandise	services	unilateral transfers	all of the above	D

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40	A current account surplus implies that	the country is a net lender to the rest of the world	the country is running a net capital account surplus	foreign investment in domestic securities is at very low levels	all of the above	A

