PRE-CBCS

**VI SEMESTER**

**DEPARTMENT OF ECONOMICS;**

**OBJECTIVES**

**NAME OF THE PAPER: INTERNATIONAL TRADE**

**PAPER- XII(B)**

SECTION –A

**MULTIPLE CHOICE QUESTIONS (200X1=200)**

UNIT-1

Tick the correct answer:

1. Adam Smith favoured
   1. Free trade among nations ( )
   2. Regulation of trade among nations ( )
   3. Closed economies ( )
   4. None of the above ( )
2. Which of the following is the cause of international trade as per Heckscher-Ohlin trade theory?
   1. Difference in factor availability ( )
   2. Difference in cost of production ( )
   3. Difference in trade ( )
   4. Difference in currency system ( )
3. The theory of comparative advantage in international trade was propounded by
   1. Kindleberger ( )
   2. Adam Smith ( )
   3. David Ricardo ( )
   4. J.S. Mill ( )
4. According to Ohlin, the comparative cost differences arise because of
   1. Labour cost differences ( )
   2. Factor endowment differences ( )
   3. Exchange rate differences ( )
   4. None of the above ( )
5. Adam Smith’s theory of international trade is based on
   1. Absolute differences in costs ( )
   2. Homogeneity of labour ( )
   3. Differences of exchange ratios ( )
   4. Mobility of factors of production between countires ( )
6. According to comparative advantage theory
   1. Capital is the only factor of production ( )
   2. Labour is the only factor of production ( )
   3. Both capital and labour are factors of production ( )
   4. None of the above ( )
7. Heckscher-Ohlin theory of trade is based on
   1. Two-by-two-by-two model ( )
   2. Three-by-three-by-three model ( )
   3. Four-by-four-by-four model ( )
   4. All of the above ( )
8. In Ricardian theory of international trade, the only factor of production is
   1. Land ( )
   2. Labour ( )
   3. Capital ( )
   4. All of the above ( )
9. The Absolute Advantage theory of international trade was propounded by
   1. Adam Smith ( )
   2. David Ricardo ( )
   3. Alfred Marshall ( )
   4. Lionel Robbins ( )
10. Haberler’s Opportunity cost theory explains the doctrine of comparative cost in terms of
    1. The saving’s curve ( )
    2. The consumption curve ( )
    3. The substitution curve ( )
    4. The supply curve ( )
11. According to the Heckscher-Ohlin theory of trade, the most important cause of difference in relative commodity prices and trade between nations is a difference in
    1. Factor endowment ( )
    2. Tastes ( )
    3. Demand conditions ( )
    4. All of the above ( )
12. Under constant opportunity cost, the production possibility curve is
    1. Convex to the origin ( )
    2. Straight line ( )
    3. Concave to the origin ( )
    4. Upward sloping ( )
13. According to the theory of comparative advantage, countries gain from trade, because
    1. Trade makes firms more competitive, reducing their market power ( )
    2. Every country has an absolute advantage in producing something ( )
    3. World output can rise when each country specializes in what it does relatively best ( )
    4. None of the above ( )
14. Among the difference between inter-regional and international trade, the reason for international factor immobility includes
    1. Difference in languages ( )
    2. Difference in occupational skills ( )
    3. Restrictions imposed by foreign country on labour immigration ( )
    4. All of the above ( )
15. According to Adam Smith, free trade is the result of
    1. Division of labour and specialisation both at the national and international level ( )
    2. Specialisation only at the national level ( )
    3. Division of labour and specialisation at the national level only ( )
    4. Division of labour only at the international level ( )
16. According to Ricardo, trade is possible between two countries when
    1. One country has absolute advantage in production of both commodities ( )
    2. One country has an absolute advantage for production of both commodities but comparative advantage in the production of one commodity than the other country ( )
    3. One country does not have any advantage in the production of both commodities ( )
    4. A country does not have any line of production ( )
17. David Ricardo believed that the international trade is governed by
    1. Absolute cost advantage only ( )
    2. Absolute cost and comparative cost advantage ( )
    3. Comparative cost advantage ( )
    4. Mobility of factors ( )
18. The basics and gains from international trade under the theory of opportunity cost is determined by
    1. Homogeneity of labours ( )
    2. The shape of the substitution curve or production possibility curve under different cost conditions ( )
    3. Imperfect competition in factor and commodity markets ( )
    4. Change in technology ( )
19. The production possibility curve under increasing opportunity costs is concave to the origin because
    1. The opportunity cost of leaving a unit of one commodity to have an additional unit of the other is constant ( )
    2. Each country completely specializes in the production of only one commodity after trade ( )
    3. They are the same at all points ( )
    4. When a country in the production of one commodity in which it has comparative advantage, its opportunity costs increases ( )
20. The importance of international trade includes
    1. Adverse terms of trade ( )
    2. Lack of industrial diversification ( )
    3. Balance of Payments deficit ( )
    4. None of the above ( )
21. According to classical view, one of the main difference between inter-regional and international trade is
    1. Factor mobility ( )
    2. Wage flexibility ( )
    3. Both (a) and (b) ( )
    4. None of the above ( )
22. According to Adam Smith, diversification of labour at the international level requires the
    1. Existence of absolute differences in costs ( )
    2. Existence of comparative differences in costs ( )
    3. Existence of least cost combination of factors ( )
    4. Existence of labour involved in production of a commodity ( )
23. The basic of international trade according to Ricardo is that
    1. A country will export those commodities in which its comparative production costs are high or will import those commodities in which its comparative production costs are less ( )
    2. A country will import those commodities in which its comparative production cost are the same with other countries ( )
    3. A country will export those commodities in which its comparative production costs are less or will import those commodities in which its comparative production costs are high ( )
    4. A country will export those commodities in which its comparative production cost are the same with other countries ( )
24. According to physical criterion of the H-O theory of trade, a country is said to be relatively capital abundant if and only if
    1. A country is having capital relatively cheap and labour relative costly ( )
    2. A country is endowed with a higher proportion of capital to labour than the other country ( )
    3. A country is having labour relatively cheap and capital relatively costly ( )
    4. A country is endowed with a higher proportion of labour to capital than the other country ( )
25. The price criterion if the H-O theory of trade lays down that
    1. A country having labour relatively cheap and capital relatively costly is capital-abundant ( )
    2. A country having capital relatively cheap and labour relatively costly is labour-abundant ( )
    3. A country having both capital and labour cheap is capital-abundant ( )
    4. A country having capital relatively cheap and labour relatively costly is capital abundant ( )
26. The main reason for different nations to enter into trade is that
    1. Every nation can produce by itself all the commodities and services required by its citizens/people ( )
    2. Some nations are capable to produce all the goods and services required by its people ( )
    3. No country has the capacity to produce all the goods and services required by its citizens/people ( )
    4. None of the above ( )
27. According to the absolute differences in cost theory of trade
    1. No country should specialize in the production of any commodity ( )
    2. Every country should specialize in the production of commodities which it can produce more cheaply than other countries and exchange it for commodities which are cheaper in other countries ( )
    3. Every country should specialize in production of goods which it can produce at higher cost than other countries and exchange it for commodities which are costlier than other countries ( )
    4. All of the above ( )
28. International trade refers to
    1. Domestic trade ( )
    2. Inter-regional trade ( )
    3. Trade between two nations or countries ( )
    4. Internal trade ( )
29. The classical theory of international trade is based on
    1. Labour theory of value ( )
    2. Less than full employment ( )
    3. Exchange rate differences ( )
    4. None of the above ( )
30. The necessity of absolute differences in costs of international trade is associated with
    1. Comparative advantage theory ( )
    2. Opportunity Cost theory ( )
    3. Absolute advantage theory ( )
    4. Theory of Reciprocal Demand ( )
31. The opportunity cost theory considers
    1. Labour as the only factor of production ( )
    2. Capital as the only factor of production ( )
    3. Both labour and capital ( )
    4. Land, labour and capital ( )
32. The Comparative theory of international trade is based on
    1. Constant costs ( )
    2. Variable costs ( )
    3. Increasing costs ( )
    4. Decreasing costs ( )
33. The H-O theory of international trade was propounded by Ohlin in
    1. 1932 ( )
    2. 1933 ( )
    3. 1934 ( )
    4. 1935 ( )
34. Community indifference curves have the same characteristics as
    1. Transformation curve ( )
    2. Offer curve ( )
    3. Indifference curve ( )
    4. Production possibility curve ( )
35. The factor price ratio(PC/PL)A < (PC/PL)B of countries A & Bimplies
    1. Country A is abundant in labour ( )
    2. Country B is abundant in capital ( )
    3. Country B is abundant in labour ( )
    4. Country A is abundant in capital ( )
36. The H-O theory assumed the prevalence of
    1. Monopolistic forms of market ( )
    2. Perfect competition ( )
    3. Oligopolistic forms of market ( )
    4. Monopoly ( )
37. The production possibility curve represents
    1. The supply side ( )
    2. The demand side ( )
    3. Combination of four commodities ( )
    4. None of the above ( )
38. Relative factor abundance in H-O theory of trade can be defined in terms of
    1. The physical & price criterion of relative factor abundance(and the price criterion of relative factor abundance) ( )
    2. Perfect mobility of factors of production ( )
    3. Production governed by increasing returns to scale ( )
    4. Similar factor intensities ( )
39. The slope of the production possibility curve under Opportunity costs theory is also called
    1. The average production curve ( )
    2. Marginal rate of transformation ( )
    3. Indifference curve ( )
    4. Isoquant curve ( )
40. The term ‘factor intensity’ refers to
    1. The relative proportion of two commodities produced in a given period ( )
    2. The relative amount of resources each country possesses ( )
    3. The relative proportion of various factors of production used to produce a commodity ( )
    4. None of the above ( )

**Answer key:**

UNIT-1

1. a
2. a
3. c
4. b
5. a
6. b
7. a
8. b
9. a
10. c
11. a
12. b
13. c
14. d
15. a
16. b
17. c
18. b
19. d
20. d
21. a
22. a
23. c
24. b
25. d
26. c
27. b
28. c
29. a
30. c
31. c
32. a
33. b
34. c
35. d
36. b
37. a
38. c
39. b
40. c

SECTION B

Fill in the blanks:

1. Every country cannot produce all the commodities due to geographical and \_\_\_\_\_\_\_\_\_ conditions. (gains/climatic/tariff)
2. Laissez-faire means \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. (free trade or no government intervention/protection/quotas)
3. In Haberler’s theory, the exchange ratio between the two commodities is expressed in terms of their \_\_\_\_\_\_\_\_\_\_\_ costs. (oppourtunity/absolute/comparative)
4. The H-O theory is a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ model. (two-by-two-by-two/two-by-two-by three/three-by-three-by-three)
5. The shape of production possibility curve under different cost conditions determines the basis and the \_\_\_\_\_\_\_\_\_\_ from international trade under opportunity cost theory. (cost/gains/supply)
6. In the ratio PC/PL, P implies price, while C & L indicates, \_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_. (capital and labour/ cost and labour/capital and land)
7. The production possibility curve under increasing opportunity costs is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to the origin. (concave/convex/parallel)
8. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ advocated the policy of laissez-faire. (Adam Smith/Ricardo/Robbins)
9. A country will import those commodities in which its comparative \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the least. (disadvantage/advantage/mobility)
10. The production possibility curves under decreasing opportunity costs are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to the origin. (convex/concave/constant)
11. Adam Smith favoured free trade which is the result of advantages of division of labour and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ both at the national and international levels. (distribution/specialization/supply)
12. Adam Smith, advocated the principle of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ advantage as the basis of international trade. (absolute/comparative/reciprocal demand)
13. According to David Ricardo, it is not absolute advantage but \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ differences in costs that determine trade between two countries. (comparative/mobility/transportation)
14. The Ricardian theory of comparative advantage is based on the assumption that all units of \_\_\_\_\_\_\_\_\_ are homogeneous. (capital/labour/land)
15. A country will \_\_\_\_\_\_\_\_\_\_\_ those commodities which its comparative advantage is the greatest. (export/import/buy)
16. Under comparative advantage theory, factors of production are perfectly mobile within each country but perfectly\_\_\_\_\_\_\_\_\_\_ between countries. (employed/immobile/homogeneous)
17. The opportunity costs theory was propounded by\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. (Haberler/J.S.Mill/Jacob Viner)
18. Under the opportunity costs theory, there is perfect competition in both the factor and \_\_\_\_\_\_\_\_\_\_ markets. (labour/commodity/capital)
19. In H-O theory, two-by-two-by-two model implies \_\_\_\_\_\_\_\_\_\_\_\_\_\_, two commodities and two factors of production. (two prices/two markets/two countries)
20. The H-O theory explains richness in factor endowment in terms of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. (factor prices/transportation cause/demand)

Answer key:

1. climatic
2. free trade or no government intervention
3. opportunity
4. two-by-two-by-two
5. gains
6. capital and labour
7. concave
8. Adam Smith
9. disadvantage
10. convex
11. specialization
12. absolute
13. comparative
14. labour
15. export
16. immobile
17. Haberler
18. commodity
19. two countries
20. factor prices

UNIT-2

Tick the correct answer:

1. The fundamental reason why different countries involve in transactions with one another is the
   1. Theory of absolute differences in costs ( )
   2. Production of goods ( )
   3. Gains from trade ( )
   4. Supply of goods ( )
2. If a country has favourable terms of trade, it will claim
   1. A larger share in the distribution of gains ( )
   2. An equal share in the distribution of gains ( )
   3. A smaller share in the distribution of gains ( )
   4. None of the above ( )
3. The income terms of trade is
   1. The net barter terms of trade of a country multiplied by its export volume index ( )
   2. The ratio between the quantities of a country’s imports and exports ( )
   3. The ratio between the price of a country’s export goods and import goods ( )
   4. None of the above ( )
4. Which factor does not influence terms of trade?
   1. Devaluation ( )
   2. Overpopulation ( )
   3. Trade policy ( )
   4. Immigration ( )
5. Gains from trade depends on
   1. Relative strength of elasticity of demand for export and import good ( )
   2. Size of the country ( )
   3. Change in technology ( )
   4. All of the above ( )
6. The principle of reciprocal demand was introduced by
   1. J.S.Mill ( )
   2. Lionel Robbins ( )
   3. Alfred Marshall ( )
   4. Adam Smith ( )
7. Terms of trade expresses the relationship between
   1. Balance of payments between two countries ( )
   2. The export price and import price of a country ( )
   3. Gains and loss of a country in international trade ( )
   4. None of the above ( )
8. The difference in the domestic cost ratios of producing two commodities in two countries is known as
   1. Actual gains ( )
   2. Partial gains ( )
   3. Potential gains ( )
   4. Price gains ( )
9. The two types of gains from trade are
   1. Internal and external gains ( )
   2. Static and dynamic gains ( )
   3. Relative and reactive gains ( )
   4. All of the above ( )
10. Distribution of gains from trade are measured in terms of
    1. Relative cost ratio ( )
    2. Terms of trade and domestic cost ratios ( )
    3. Increased product variety ( )
    4. Division of labour ( )
11. The difference in price ratios of two commodities in the two trading countries is
    1. Potential gains ( )
    2. Partial gains ( )
    3. Actual gains ( )
    4. None of the above ( )
12. The ratio between the quantities of a country’s imports to its exports is known as
    1. Commodity or net barter terms of trade ( )
    2. Single factoral terms of trade ( )
    3. Gross barter terms of trade ( )
    4. Double factoral terms trade ( )
13. J.S.Mill introduced the theory of reciprocal demand to explain
    1. Determination of factor endowments ( )
    2. Determination of equilibrium terms of trade ( )
    3. Determination of availability of resources ( )
    4. Determination of equilibrium in balance of payments ( )
14. Mill’s theory of reciprocal demand indicates a
    1. Country’s demand for one commodity in terms of the quantities of the other country it is prepared to give up in exchange ( )
    2. Country’s supply of a commodity in terms of the quantities of the other country it is prepared to give up in exchange ( )
    3. Country’s balance of payments ( )
    4. Country’s labour cost ( )
15. The gains from trade refers to
    1. A duty levied on goods when they enter and leave a country’s national boundary ( )
    2. A tariff that maximizes a country’s welfare ( )
    3. Net benefits or increases in goods that a country gets by trading with other countries ( )
    4. The demand and supply curve of a country ( )
16. The ratio between the price of a country’s export goods to its import goods is called
    1. Income terms of trade ( )
    2. Gross barter terms of trade ( )
    3. Real cost terms of trade ( )
    4. Commodity or net barter terms of trade ( )
17. An increase in the index of income terms of trade implies that
    1. A country cannot import more goods in exchange for its exports ( )
    2. A country can import more goods in exchange for its exports ( )
    3. A country cannot export more goods in exchange for its imports ( )
    4. None of the above ( )
18. The terms of trade refers to the rate
    1. At which the goods of one country is exchanged for the goods of another country ( )
    2. At which the price of a country’s import is calculated ( )
    3. At which the price of a country’s export is calculated ( )
    4. All of the above ( )
19. The types of terms of trade does not include
    1. Utility terms of trade ( )
    2. Real cost terms of trade ( )
    3. Productive capacity terms of trade ( )
    4. Double factoral terms of trade ( )
20. In the modern trade theory, the gains from international trade are clearly differentiated between
    1. The gains from exchange and the gains from specialization ( )
    2. The gains from exchange and income ( )
    3. The gains from exchange and price ( )
    4. All of the above ( )
21. Under the gains from international trade, the gains from exchange is also known as the
    1. Partial gains ( )
    2. Consumption gains ( )
    3. Domestic gains ( )
    4. Price gains ( )
22. In modern trade theory, the gains from specialization is also known as the
    1. Constant gains ( )
    2. Consumption gains ( )
    3. Production gains ( )
    4. Internal gains ( )
23. The terms of trade of a country improves when
    1. The import price of a country relatively rises to its export prices ( )
    2. The import price of a country is the same with its export prices ( )
    3. The export price of a country does not rise in relation to its import prices ( )
    4. The export price of a country relatively rises to its import prices ( )
24. When a country’s import price relatively rises to its export prices,
    1. The terms of trade of a country remains the same ( )
    2. The terms of trade of a country becomes worsened ( )
    3. The terms of trade of a country improves ( )
    4. None of the above ( )
25. The various methods of measuring gains from trade does not include
    1. Haberler’s approach ( )
    2. Ricardo’s-Malthus approach ( )
    3. Modern approach ( )
    4. Mill’s approach ( )
26. According to Jacob Viner, the classical economists measured the gains from trade in terms of
    1. Increase in national income ( )
    2. Difference in comparative costs ( )
    3. Terms of trade ( )
    4. All of the above ( )
27. The classical theorists believed that the gains from trade resulted from
    1. Stabilisation of price level ( )
    2. Increased production and specialization ( )
    3. Exchange and specialization ( )
    4. Perfect competition ( )
28. The modern economists considered the gains from trade resulted from
    1. Increased production and specialization ( )
    2. Increased competition ( )
    3. Exchange and specialization ( )
    4. All of the above ( )
29. The concept of single factoral terms of trade was developed by
    1. Jacob Viner ( )
    2. G.S. Dorrance ( )
    3. G.Haberler ( )
    4. F.W. Taussig ( )
30. Mill’s theory of reciprocal demand is based on one of the assumptions that
    1. There is less than full employment ( )
    2. There is imperfect competition ( )
    3. The commodities are produced under the law of constant returns ( )
    4. There are transport costs involved ( )
31. When the export prices of a country relatively rises to its import prices, its terms of trade are said to have
    1. Deteriorated ( )
    2. Improved ( )
    3. Remain constant ( )
    4. None of the above ( )
32. The concept of gross barter terms of trade was introduced by
    1. Jacob Viner ( )
    2. Adam Smith ( )
    3. Lionel Robbins ( )
    4. F.W. Taussig ( )
33. A single factoral terms of trade shows that a country’s factoral terms of trade improve as productivity
    1. Remains constant in its export industries ( )
    2. Improves in its export industries ( )
    3. Deteriorates in its export industries ( )
    4. Increases in its import industries ( )
34. The concept of commodity or net barter terms of trade has been used by economists to measure
    1. The gains from domestic trade ( )
    2. The gains from internal trade ( )
    3. The gains from international trade ( )
    4. The gains from prices ( )
35. The term ‘terms of trade’ between two countries refers to
    1. The barter terms of trade ( )
    2. The quantity of exports ( )
    3. Both (a) and (b) ( )
    4. The price ( )
36. The actual exchange ratio between two countries will depend upon the
    1. Supply ( )
    2. Price ( )
    3. Reciprocal demand ( )
    4. All of the above ( )
37. In world markets, the actual gain is always less than the potential gain since there is always
    1. Perfect completion ( )
    2. Imperfect completion ( )
    3. Stability ( )
    4. None of the above ( )
38. The theory of gains from trade was at the core of the
    1. Technical progress ( )
    2. Change in employment ( )
    3. Modern theory of international trade ( )
    4. Classical theory of international trade ( )
39. Prof. Ronald Findlay modified Ricardo’s measure of gains from trade using
    1. A straight line ( )
    2. Balance of payments ( )
    3. The community indifference curve ( )
    4. Short-term and long-term lendings and borrowings ( )
40. The income terms of trade is called the
    1. Capacity to export ( )
    2. Capacity to import ( )
    3. Capacity to change ( )
    4. Capacity to remain constant ( )

Answer Key:

1. b
2. a
3. a
4. d
5. d
6. a
7. b
8. c
9. b
10. b
11. c
12. c
13. b
14. a
15. c
16. d
17. b
18. a
19. c
20. a
21. b
22. c
23. d
24. b
25. a
26. d
27. b
28. c
29. a
30. c
31. b
32. d
33. b
34. c
35. a
36. c
37. b
38. d
39. c
40. b

SECTION B

Fill in the Blanks:

1. J.S.Mill analysed the gains from trade in terms of his theory of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.(reciprocal demand/absolute advantage/comparative advantage)
2. Gains from trade refers to net benefits or increase in goods a country obtains by \_\_\_\_\_\_\_\_\_\_\_\_\_ with other countries.(contributing/trading/dividing)
3. The total gains from trade is the sum of the consumption and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ gains.(price/income/production)
4. Gains from trade are divided into static and \_\_\_\_\_\_\_\_\_.(absolute/dynamic/comparative)
5. The actual gain from international trade is the difference in \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of two commodities in the two trading countries.(cost ratios/commodity ratios/price ratios)
6. Favourable terms of trade means exports are \_\_\_\_\_\_\_\_\_\_\_\_\_\_ than imports.(more/less/neutral)
7. Barter terms of trade is also known as \_\_\_\_\_\_\_\_\_\_\_\_ terms of trade.(income/commodity/utility)
8. The ratio of an index of a country’s export prices to an index of its imports prices is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. (gains from trade/balance of payments/terms of trade)
9. The terms of trade determine how the gains from trade are allocated among the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.( trading countries/less developed countries/developed countries)
10. In the contemporary world, the concept of net barter terms of trade was introduced by \_\_\_\_\_\_\_\_\_\_\_\_\_\_.(Adam Smith/F.W.Taussig/J.S.Mill)
11. Jacob Viner called the net barter terms of trade as \_\_\_\_\_\_\_\_\_\_\_\_\_\_ terms of trade. (Income/commodity/utility)
12. The terms of trade will be favourable for a country if \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ where, M=imports,X=exports and P=Price. (Mp>Xp/Xp=Mp/Xp>Mp)
13. The actual ratio of exchange between two countries depends upon \_\_\_\_\_\_\_\_\_\_\_\_\_\_. (price/reciprocal demand/demand)
14. The more inelastic the offer curves of a country, the more \_\_\_\_\_\_\_\_\_\_\_\_\_\_ will be its terms of trade in relation to another country. (unfavourable/favourable/equal)
15. A diagrammatic explanation of Mill’s theory of reciprocal demand is given in terms of Marshall’s \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ . (indifference curve/ offer curve/transformation curve)
16. A country gains the most from trade whose demand for foreign goods is highly \_\_\_\_\_\_\_\_\_\_\_\_\_\_. (fluctuating/inelastic/elastic)
17. The terms of trade depend upon \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. (reciprocal demand/ comparative advantage/absolute advantage)
18. Mill analysed the gains as well as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of gains from international trade in terms of his theory of reciprocal demand. (differences/distribution/addition)
19. The concept of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ terms of trade is an improvement upon the net barter terms of trade. (utility/real cost/income)
20. The net barter terms of trade or commodity terms of trade is the ratio of \_\_\_\_\_\_\_\_\_\_\_\_\_\_ prices to import prices. (export/commodity/equilibrium)

Key answer:

1. reciprocal
2. trading
3. production
4. dynamic
5. price ratios
6. more
7. commodity
8. terms of trade
9. trading countries
10. F.W.Taussig
11. commodity
12. XP>MP
13. reciprocal demand
14. favourable
15. offer curves
16. elastic
17. reciprocal demand
18. distribution
19. income
20. export

UNIT-3

Tick the correct answer:

1. The tariff that maximizes a country’s welfare is called the
   1. Double column tariff ( )
   2. Maximum and minimum tariff ( )
   3. Optimum tariff ( )
   4. None of the above ( )
2. Ad valorem tariffs are
   1. Duties levied per physical unit of the commodity imported ( )
   2. Duties levied as fixed percentage of the value of the imported commodity ( )
   3. Duties which tend to vary with the prices of the imported commodities ( )
   4. None of the above ( )
3. On the basis of origin and destination of goods, tariff may be classified into
   1. Specific duties, ad valorem duties and compound duties ( )
   2. Single-column tariff, double-column tariff and triple column tariff ( )
   3. Export duties, import duties and transit duties ( )
   4. All of the above ( )
4. Specific tariffs are assessed
   1. On the value of product ( )
   2. On the basis of subsidies ( )
   3. On the basis of physical weight ( )
   4. On the basis rate fixed by the government ( )
5. A quota which established thorough mutual agreements or negotiation between countries is
   1. Allocated quota ( )
   2. Unilateral quota ( )
   3. Import-export quota ( )
   4. Bilateral quota ( )
6. Effects of tariffs included
   1. Income effect ( )
   2. Effect on demand ( )
   3. Effect on supply ( )
   4. All of the above ( )
7. When a uniform rate of duty is imposed on all similar commodities irrespective of the country from which they are imported, it is called
   1. Single-column tariff ( )
   2. Protective tariff ( )
   3. Conventional tariff ( )
   4. Double-column tariff ( )
8. A quota system which allows a certain specified quantity of a commodity to be imported duty free or at a low rate of import duty is
   1. Bilateral quota ( )
   2. Global quota ( )
   3. Tariff or custom quota ( )
   4. Unilateral quota ( )
9. The tariff rates which are based on trade agreements or treaties with other countries is known as
   1. Revenue tariffs ( )
   2. Protective tariffs ( )
   3. Multiple column tariff ( )
   4. Conventional tariff ( )
10. Which of the following is not included in the effects of quotas
    1. Price effect ( )
    2. Consumption effect ( )
    3. Income effect ( )
    4. Protective effect ( )
11. imposition of a tariff improves the terms of trade of the imposing country but reduces its
    1. Commodity prices ( )
    2. Volume of trade ( )
    3. Cost of production ( )
    4. None of the above ( )
12. A tariff results in an improvement in terms of trade on one hand and on the other hand, increases the
    1. Demand of the commodity ( )
    2. Price of the commodity ( )
    3. Level of welfare ( )
    4. Gains from trade ( )
13. The positive effect of a tariff is, when there is an increase in the welfare of a country due to
    1. An improvement in the terms of trade ( )
    2. An increase in its volume of trade ( )
    3. A reduction in its volume of trade ( )
    4. A decrease in its volume of trade ( )
14. There is an improvement in the welfare of country only when the
    1. Positive effect of a tariff is lesser than its negative effect ( )
    2. Positive effect is larger than its negative effect ( )
    3. Positive effect of a tariff is equal to its negative effect ( )
    4. None of the above ( )
15. A trade policy without tariffs and other quantitative restrictions blocking the movement of goods between countries is
    1. Import policy ( )
    2. Export policy ( )
    3. Free trade policy ( )
    4. Exim policy ( )
16. Protection refers to a policy where
    1. Export industries are to be protected from competition ( )
    2. Domestic industries are to be protected from foreign competition ( )
    3. Optimum utilization of resources takes place ( )
    4. There is optimization of consumption ( )
17. A tax or duty levied on goods when it enters or leave the national boundary of a country is called
    1. Tariff ( )
    2. Quotas ( )
    3. External economics ( )
    4. Balance of payment ( )
18. When government levies import duties which varies with prices of commodities imported , it is called
    1. Ad valorem duty ( )
    2. Specific duty ( )
    3. Compound duty ( )
    4. Sliding scale duty ( )
19. Which of the following is not the effect of tariff?
    1. Balance of payments effect ( )
    2. Terms of trade effect ( )
    3. competive effect ( )
    4. none of the above ( )
20. Prof. Kindleberger calls the combined protective and consumption effect as
    1. Cost of the tariff ( )
    2. Trade effect ( )
    3. Income effect ( )
    4. Revenue effect ( )
21. Under the redistribution effect of tariff, the loss of consumer’s surplus is neither transferable to the produces nor to the government and is called by Kindleberger as the
    1. Deadweight loss of the tariff ( )
    2. Cost of the tariff ( )
    3. Both (a) and (b) ( )
    4. All of the above ( )
22. Under the effects of a tariff under partial equilibrium analysis, the revenue effect is the change in government receipts due to
    1. Producer’s surplus ( )
    2. Consumer’s satisfaction ( )
    3. Imposition of tariff ( )
    4. Loss of consumer’s surplus ( )
23. The increase in the domestic production of a commodity due to imposition of a tariff is
    1. Protective or production ( )
    2. Consumption effect ( )
    3. Terms of trade effect ( )
    4. Competitive effect
24. Import quotas may be fixed either in terms of quantity or
    1. The supply of the product ( )
    2. The value of the product ( )
    3. Consumption of the product ( )
    4. Demand of the product ( )
25. The physical limitation of quantities of different products to be imported from foreign countries within a specified period of time is called
    1. Revenue tariff ( )
    2. Gains from trade ( )
    3. Import quota ( )
    4. Optimum tariff ( )
26. Import quotas include
    1. Ad valorem duty ( )
    2. Tariff or custom quota ( )
    3. Specific duty ( )
    4. Compound duty ( )
27. The effects of quota under partial equilibrium include
    1. Redistributive effect ( )
    2. Consumption effect ( )
    3. Price effect ( )
    4. All of the above ( )
28. When import quotas are fixed after negotiations between the importing and exporting countries, it is known as
    1. Import licensing ( )
    2. Mixing quota ( )
    3. Bilateral quota ( )
    4. Unilateral quota ( )
29. The objective of import quotas include
    1. To protect domestic industries from foreign competition by restricting imports ( )
    2. To stabilize and maintain the external price level by regulating exports ( )
    3. To correct adverse balance of payments restricting exports ( )
    4. None of the above ( )
30. Under the unilateral quota system, the autonomously fixed quota may either be
    1. Fixed or variable ( )
    2. Positive or negative ( )
    3. Global or allocated ( )
    4. All of the above ( )
31. A tariff or custom quota may either be
    1. Increasing or decreasing ( )
    2. Fixed or variable ( )
    3. Unilateral or bilateral ( )
    4. Autonomous or agreed ( )
32. The system devised to administer the types of quotas is
    1. Tariff quota ( )
    2. Import licensing ( )
    3. Export duties ( )
    4. None of the above ( )
33. The quota system in which domestic producers of a quota fixing country are required to make use of both domestic raw materials and a specified proportion of imported raw materials to produce a product
    1. Bilateral quota ( )
    2. Tariff or custom quota ( )
    3. Import quota ( )
    4. Mixing quota ( )
34. Tariff can be levied upon
    1. Export only ( )
    2. Import only ( )
    3. Both exports and imports ( )
    4. Partly exports partly imports ( )
35. The tariffs or duties levied upon goods originating from abroad and scheduled for the home country are
    1. Exim duties ( )
    2. Import duties ( )
    3. Export duties ( )
    4. None of the above ( )
36. High tariffs have the effect of restricting
    1. The volume of international trade ( )
    2. The price of goods ( )
    3. The quantity of goods ( )
    4. All of the above ( )
37. A tariff or import duty which are a combination of the ad valorem and specific duty
    1. Transit duty ( )
    2. Sliding scale duty ( )
    3. Revenue tariff ( )
    4. Compound duty ( )
38. On the basis of retaliation, tariffs can be of the types of
    1. Revenue and protective tariffs ( )
    2. Retaliatory and countervailing tariffs ( )
    3. Non-discriminatory and discriminatory tariffs ( )
    4. Double column or multiple tariffs ( )
39. Once import quota is levied on a commodity, the domestic price of the commodity
    1. Fluctuates ( )
    2. Remains constant ( )
    3. Decreases ( )
    4. Rises ( )
40. An increase in domestic production of goods due to imposition of import quota is called
    1. Protective or production effect ( )
    2. Consumption effect ( )
    3. Revenue effect ( )
    4. Price effect ( )

Key answer:

1. c
2. b
3. b
4. c
5. d
6. a
7. a
8. c
9. d
10. c
11. b
12. c
13. a
14. b
15. c
16. b
17. a
18. d
19. d
20. b
21. d
22. c
23. a
24. b
25. c
26. b
27. d
28. c
29. a
30. c
31. d
32. b
33. d
34. c
35. b
36. a
37. d
38. b
39. d
40. a

UNIT-3

Fill in the Blanks:

1. A tariff is synonymous with import duties or \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. (import licensing/ custom duties/import quotas)
2. On the basis of purpose, tariffs are used for two different purposes, namely, revenue and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.(development/diversification/protection)
3. When a tariff is imposed for importing one commodity by a small country, it does not affect the domestic economy and the world \_\_\_\_\_\_\_\_ of the country.(price/supply/demand)
4. The various effects of a tariff under partial equilibrium analysis are the result of the \_\_\_\_\_\_\_\_\_\_\_ effect.(revenue/price/balance of payments)
5. The redistributive effect of a tariff is a surplus over production costs and economic rent which goes to the domestic \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the commodity.(consumer/price/producers)
6. An import quota like a tariff causes a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in imports, rise in prices and increase in domestic production of the commodity on which it is imposed.(reduction/increase/equality)
7. The optimum level of tariff is determined at the point where the trade indifference curve of a tariff imposing country is tangent to the \_\_\_\_\_\_\_\_\_\_\_\_\_\_curve of the other country. (elasticity/demand/offer)
8. The income effect of a tariff refers to the effect of a tariff on the levels of income and \_\_\_\_\_\_\_\_\_\_\_\_\_of the tariff imposing country. (price/employment/production)
9. Under \_\_\_\_\_\_\_\_\_\_\_\_\_ quota, the full amount of the quota may be imported from any country. (allocated/bilateral/global)
10. It was \_\_\_\_\_\_\_\_\_\_\_\_ who analysed the various effects of import quotas. (Samuelson/Kindleberger/Ricardo)
11. One of the objectives of fixing import quotas is to restrict \_\_\_\_\_\_\_\_\_\_\_\_\_. (exports/imports/production)
12. When imposition of tariff decreases the volume of trade resulting in the reduction of welfare, it is known as the \_\_\_\_\_\_\_\_\_\_\_\_effect of a tariff. (negative/positive/neutral)
13. Import quotas aim at restricting and \_\_\_\_\_\_\_\_\_\_\_\_\_ imports to protect domestic industries from foreign competition. (developing/increasing/regulating)
14. Import quotas are also used as a \_\_\_\_\_\_\_\_\_\_\_\_\_ device. (retaliatory/favourable/trading)
15. The \_\_\_\_\_\_\_\_\_\_\_\_\_ economists were in favour of free trade policy. (modern/classical/political)
16. Import duties can be levied for revenue and not for protection under \_\_\_\_\_\_\_\_\_\_\_. (import/export/free trade)
17. The policy of free trade means international trade without any \_\_\_\_\_\_\_\_\_\_\_\_\_\_ on the movement of goods between countries. (development/restrictions/distributions)
18. The term referred to a policy where domestic industries are protected from foreign competition is \_\_\_\_\_\_\_\_\_\_\_. (free trade/laissez faire/protection).
19. With imposition of import quotas an increase in the domestic price of the commodity resulting in a reduction of domestic consumption of the given commodity is known as the \_\_\_\_\_\_\_\_\_\_effect. (protective/consumption/production)
20. Haberler calls the bilateral quota as \_\_\_\_\_\_\_\_ quotas. (mixing/agreed/tariff)

Key answer:

1. custom duties
2. protection
3. price
4. price
5. producers
6. reduction
7. offer
8. employment
9. global
10. Kindleberger
11. imports
12. negative
13. regulating
14. retaliatory
15. classical
16. free trade
17. restrictions
18. protection
19. consumption
20. agreed

**Paper – XII (b)**

**Unit – IV**

1. Which of the following items is not included in the invisible items of balance of payments?
2. Shipping
3. Insurance
4. Export and import of goods
5. None of the above
6. In balance of payments account, all goods exported and imported are recorded in
7. Capital accounts
8. Merchandise account
9. Current account
10. Savings account
11. If a country has fundamental deficit in in the balance of payments, it should resort to
12. Exchange control
13. Devaluation of its currency
14. Inflation
15. Loans
16. Capital account includes
17. Invisible export
18. Long-term capital transaction
19. Invisible import
20. All of the above
21. Balance of trade includes
22. Visible items
23. Invisible items
24. Both visible and invisible items
25. None of the above
26. A country which gives loans and grants on a large scale to other countries has
27. A surplus in its BOP on capital account
28. A deficit in its BOP on capital account
29. A surplus in its BOP on current account
30. A deficit in its BOP on its current account
31. The coefficient which relates to an increase in exports to an increase in income is termed as
    1. The foreign trade multiplier
    2. The terms of trade
    3. The balance of payments
    4. The optimum tariff
32. Measurement of deficit or surplus in the balance of payments in in international transaction is in a given year is
33. Balance of payments
34. Balance of trade
35. Transfer payments to foreigners
36. None of the above
37. Overvaluation of domestic currency makes
38. Foreign goods cheaper and exports dearer in foreign countries
39. Foreign goods dearer and exports cheaper in foreign countries
40. Domestic goods cheaper and foreign goods dearer
41. None of the above
42. Devaluation encourage
43. Exports
44. Imports
45. Both exports and imports
46. None of the above
47. A systematic record of receipts and payments in international transactions of a country in a given year is called
48. Balance of trade
49. Balance of payments
50. Terms of trade
51. Capital account
52. The most important items in the current account are
53. Foreign aid and pensions
54. Private remittances and gifts
55. Merchandise exports and imports
56. Transportation and insurance
57. Lending to foreign countries represents
58. Capital inflows
59. Capital outflows
60. Services outflows
61. Services inflows
62. Payment to foreign country is a
63. Credit transaction
64. Debit transaction
65. Internal transaction
66. External transaction
67. The category that do not includes in the balance of payments account is/are
68. The current account
69. The capital account
70. The official settlements account
71. The savings account
72. The expression (X-M) denotes
73. The balance of trade
74. The balance of payments
75. The domestic trade
76. None of the above
77. If the difference between exports and imports is zero
78. Balance of trade balances
79. Balance of payments balances
80. Capital account equals current account
81. None of the above
82. The current account BOP deficit will be beneficial for the economy if foreign borrowings are used to finance
83. Transportation
84. Shipping goods
85. Real investment
86. Small and medium enterprises
87. In the equation Y=C+I+G+(X-M), G denotes
88. General expenditure
89. Government expenditure
90. Expenditure on gold
91. Expenditure on goods
92. If export is less than import, there is a ….. in balance of trade.
93. Surplus
94. Deficit
95. Favourable
96. Balance
97. In the equation B=Rf-Pf, Pf represents
98. Payments made by foreigners
99. Payments made to foreigners
100. Payments made to residents of a country
101. Payments made to exporters
102. The difference between exports and imports of a country is its
103. Balance of visible trade
104. Balance of invisible trade
105. Balance of payments
106. None of the above
107. Under direct control measures, the government aims at limiting
108. The volume of imports
109. The volume of exports
110. Both imports and exports
111. None of the above
112. Given the foreign exchange rate and prices in a country, an increase in the value of exports causes an increase in
113. Expenditures
114. Incomes
115. Investments
116. Employment
117. Devaluation results in
118. Increase in domestic price of imports and decrease in foreign price of exports
119. Increase in foreign price of exports and decrease in domestic price of imports
120. Decrease in domestic price of imports and increase in foreign price of exports
121. None of the above
122. Undervaluation of currency encourages
123. Imports
124. Exports
125. Investments
126. None of the above
127. The equation Rf-Pf <0 denotes
128. Surplus in balance of payments
129. Deficit in balance of payments
130. Equilibrium in balance of payments
131. None of the above
132. Imports in balance of payments account are shown as a
133. Negative item
134. Positive item
135. Invalid item
136. None of the above
137. Which of the following account does not included in the Reserve account?
138. IMF
139. SDR
140. Reserve and monetary gold
141. Savings
142. Exchange rate depreciation reduces
143. The value of home currency in relation to foreign currency
144. The value of foreign currency in relation to a home currency
145. Both the values of home currency and foreign currency
146. None of the above
147. By restricting imports through the quota system, the deficit is
148. Reduce
149. Increase
150. Improve
151. None of the above
152. A deficit in BOP occurs when
153. Credit>debit
154. Credit<debit
155. Credit=debit
156. None of the above
157. Fundamental disequilibrium is
158. A short-term nature
159. A medium-term nature
160. A long-term nature
161. None of the above
162. Deflation as a measure of correcting deficit in BOP tends to make
163. domestic goods relatively cheaper to foreign goods
164. domestic goods relatively dearer to foreign goods
165. foreign goods relatively cheaper to domestic goods
166. foreign goods relatively dearer to domestic goods
167. in 1991, India devalued its currency by 18 per cent to
168. 19%
169. 20%
170. 21%
171. 22%
172. When government imposed tariffs, it results in improvement of
173. Balance of trade situation
174. Balance of payments situation
175. International transactions
176. Domestic transactions
177. Which of the following is not a type of disequilibrium in BOP?
178. Temporary disequilibrium
179. Fundamental disequilibrium
180. Structural disequilibrium
181. Constant disequilibrium
182. Invisible exports and imports are the component of
183. Current account
184. Capital account
185. Savings account
186. None of the above
187. Exports that are estimated on free on board (f.o.b.) basis signifies that
188. the transportation costs, costs of insurance etc. are not included
189. the transportation costs, costs of insurance etc. are included
190. both (a) and (b)
191. none of the above
192. Imports that are estimated on carriage, insurance and freight (c.i.f.) basis signifies that
193. the transportation costs, costs of insurance and freight get included.
194. the transportation costs, costs of insurance and freight get excluded.
195. Both (a) and (b)
196. None of the above

Key answer:

1. c
2. c
3. b
4. d
5. a
6. b
7. a
8. a
9. a
10. a
11. b
12. c
13. b
14. b
15. d
16. a
17. a
18. c
19. b
20. b
21. b
22. a
23. a
24. b
25. a
26. b
27. b
28. a
29. d
30. a
31. a
32. b
33. c
34. a
35. b
36. b
37. d
38. a
39. a
40. a

**Fill in the blanks**

1. The balance of payments account of a country is constructed on the principle of ……………. (double-entrybook-keeping/balanceof payments/credit transaction)
2. If export of goods and services exceed imports of goods and services, the balance of payments is said to be ………………. (unfavourable/exceeding/favourable)
3. The two types of transactions in capital account are private and …….. (government/foreign/public)
4. The difference between the value of goods and services exported and imported is called balance of……….(payments/trade/price)
5. If autonomous debit payments exceed autonomous credit receipts, it means a …….. balance of payments. (surplus/deficit/equal)
6. Disequilibrium in balance of payments is automatically solved by forces of demand and……. for foreignexchange. (supply/revenue/cost)
7. If a country lowers the prices of its exports,it means imports will ……….. (Fluctuate/increase/decrease)
8. The reduction in the external value of a currency in terms of other currencies is called……….(devaluation/evaluation/deficit)
9. The effects of devaluation on the balance of payments of a devaluating country depends on price elasticities of …………….. and supplyin export and import market. (income/demand/utility)
10. Favourable trade means exports are …….than imports. (less/reduced/more)
11. In BoP, exports are shown as ……. Item. (positive/negative/same)
12. Balance of payments is made to balancethroughthe………account.(official/capital/current)
13. There will be loss instead of gain from devaluation when the demand for imports is perfectly…….. (elastic/mobile/inelastic)
14. If the elasticity of demand for imports is greater than unity, the effect of devaluation on the balance of payments will be ……. (favourable/decreasing/unfavourable)
15. An expansionary monetary policy leads to a BOP ………. (surplus/deficit/irregularity)
16. In the balance of payments account, errors and omissions are recorded in the ……….column(regulated/credits/debits)
17. The sum of current account and capital account is known as …………..balance(basic/equal/liquidity)
18. The net value of the balances of short-term and long-term direct and portfolio investments is the balance on………….account.(current/capital/official settlements)
19. The foreign trade multiplier is also known as ………….(export multiplier/import multiplier/commodity multiplier)
20. Balance of Payments indicates the changing international economic or …… position of a country. (non-economic/industrial/financial)

Key answer:

1. double entry book-keeping
2. favourable
3. government
4. trade
5. deficit
6. supply
7. decrease
8. devaluation
9. demand
10. more
11. positive
12. capital
13. inelastic
14. favourable
15. deficit
16. debits
17. basic
18. capital
19. export multiplier
20. Financial

**UNIT – V**

1. The Indian rupee was made a freely convertible currency on current account since the year
2. 1981
3. 1991
4. 1994
5. 2004
6. Which of the following statements about the direction of India’s foreign trade is correct?
7. The share of Asia and ASEAN in total trade has increased significantly
8. The share of Asia and ASEAN in total trade has decreased significantly
9. The share of Asia and ASEAN remain constant over the years
10. The share of Asia and ASEAN is highly fluctuating
11. NRI deposits are
12. Major source of capital inflows into India
13. Not a source of capital inflows into India
14. Negligible source of capital inflows into India
15. None of the above
16. India’s top import item is
17. Coal
18. Gold
19. Fertilizer
20. Crude oil
21. India’s top export item is/are
22. Mineral, fuels, oils, etc
23. Gold
24. Precious or semi-precious stones
25. Fertilizers
26. The most important item of import for India in terms of value is
27. Mobile handset
28. POL
29. Gold
30. Electronic goods
31. The biggest exporter of goods to India during 2018-190 is
32. USA
33. UAE
34. China
35. Japan
36. The biggest trading partner of India is
37. USA
38. UAE
39. China
40. Saudi Arabia
41. Since the inception of planning era in 1951, India has been facing the problem of
42. Trade deficit
43. Current account deficit
44. Both (a) and (b)
45. None of the above
46. To make the exchange rate more realistic and to encourage exports and discourage imports, the Rupee was devalued in
47. 1991
48. 1992
49. 1996
50. 1998
51. The trade deficit India experienced in 1990-91 was mainly due to
52. High growth rate of exports
53. High growth rate of imports
54. High growth rate of population
55. None of the above
56. The terms of trade measures
57. The terms of exchange between a unit of import and a unit of export
58. The terms of exchange between a unit of one currency with a unit of other currencies
59. The terms of exchange between a unit of one’s commodity with a unit of other commodities
60. None of the above
61. Under Liberalized Exchange Rate Management Scheme, how much is the receipts on current account could be converted freely into rupees at market determined exchange rate?
62. 30 %
63. 40 %
64. 50 %
65. 60 %
66. Rupee was made convertible for all trade in merchandise in
67. March 1991
68. March 1992
69. March 1993
70. March 1994
71. Rupee is non-convertible in
72. Current account
73. Capital account
74. Both (a) and (b)
75. None of the above
76. Which of the following is not a part of capital account?
77. Lending to foreign countries
78. Direct investments in foreign countries
79. Transfer payments
80. None of the above
81. The principal reasons for the sluggishness of exports during 1980s was
82. Domestic supply constraints
83. Domestic demand constraints
84. International supply constraints
85. International demand constraints
86. The overall exports of India (merchandise and service) during April-May 2019-20 are estimated to have a positive growth over the same period last year is
87. 2.32 %
88. 3.32%
89. 4.32%
90. 5.32%
91. Which of the following is an export item/items that shows a positive growth in May 2019?
92. Fertilizers
93. Vegetable oils
94. Transport equipment
95. Drugs & Pharmaceutical
96. Which of the following an import item/items that shows a negative growth in May 2019?
97. Vegetable oils
98. Drugs & Pharmaceutical
99. Engineering goods
100. Electronic goods
101. As per the latest press release by the RBI dated 14th June, 2019, exports in April 2019 registered a positive growth of
102. 2.84%
103. 3.84 %
104. 4.84 %
105. 5.84%
106. As per the latest press release by the RBI dated 14th June, 2019, imports in April 2019 registered a positive growth of
107. 2.46 %
108. 3.46 %
109. 4.46 %
110. 5.46 %
111. According to Exports data during 2011-12 (April-June), country with the largest importer of Indian goods was
112. UAE
113. China
114. Indonesia
115. Europe
116. The widening of the Current Account Deficit during 2018-19 was on account
117. A higher trade deficit
118. A lower trade deficit
119. A higher fiscal deficit
120. A lower fiscal deficit
121. India figures among the top ….global exporters and importers of services.
122. Five
123. Seven
124. Ten
125. Twenty
126. The top two countries that remain the top sources of FDI to India during 2017-19 are
127. Singapore and Mauritius
128. USA and Brazil
129. France and Britain
130. Bangladesh and Nepal
131. During the period of the first Five-Year Plan, India’s imports mainly consisted of
132. Silver
133. Foodgrains
134. Pharmaceuticals
135. None of the above
136. The net terms of trade refers to
137. The ratio of unit value index of imports to unit value index of imports.
138. The ratio of unit value of a commodity to per capita income
139. The ratio of unit value of a commodity of domestic country to the unit value of a commodity of foreign countries
140. The ratio of unit value of domestic exports to the unit value of foreign exports
141. Foreign investment inflows help to mitigate the pressure on the overall
142. Balance of Trade
143. Balance of Payments
144. International trade
145. Fiscal deficit
146. India’s foreign trade policy during the late 1950s was often termed as
147. Import pessimism
148. Export pessimism
149. Import optimism
150. Export optimism
151. The full form of EXIM is
152. Exchange and Import
153. Export-Import
154. Exported and Imported
155. None of the above
156. Which of the following manages and monitors India’s foreign exchange rate in order to correct deficit in BoP?
157. The Reserve Bank of India
158. The Government of India
159. The Securities and Exchange Board of India
160. The Ministry of External Affairs
161. Under the Liberalized Exchange Rate Management System (LERMS), the rupee got a partial convertibility in the ratio
162. 80:20
163. 70:30
164. 60:40
165. 50:50
166. Which of the following is/are not the policy measure/measures to correct deficit in Balance of Payments?
167. Fiscal and Monetary
168. Structural reforms
169. External financing
170. Issuing new currency
171. Gold imports had increased during 1992-99 due the repeal of the Gold Control Order in
172. 1990
173. 1991
174. 1992
175. 1993
176. Since 1950, India’s foreign trade has undergone important changes signifying that it has entered into
177. Unilateral trade
178. Bilateral trade
179. Multilateral trade
180. None of the above
181. The huge trade deficit India experienced during the 1980s was mainly due to
182. Slow growth of exports and fast rise in imports
183. Slow growth of imports and fast rise of exports
184. Increased in defence expenditure
185. Inflation
186. The slow growth of exports during 2004-2007 was the result of
187. The depreciation of rupee against dollar
188. The appreciation of rupee against dollar
189. Increased in the general price level
190. None of the above
191. The BoP situation does not deteriorate so long as
192. The primary deficit is under control
193. The trade deficit is under control
194. The fiscal deficit is under control
195. Monetary deficit is under control
196. During the period of 1950-51, the traditional exports like tea, jute and cotton textiles formed
197. 45 per cent of the total exports
198. 50 per cent of the total exports
199. 55 per cent of the total exports
200. 60 per cent of the total exports

Key answer:

1. c
2. a
3. a
4. d
5. a
6. b
7. c
8. c
9. c
10. a
11. b
12. a
13. d
14. c
15. b
16. c
17. a
18. c
19. d
20. a
21. a
22. c
23. a
24. a
25. c
26. a
27. b
28. a
29. b
30. b
31. b
32. a
33. c
34. d
35. b
36. c
37. a
38. b
39. c
40. c

SECTION B

**FILL IN THE BLANKS**

1. Mere increase in the value of imports and exports is not an indicator of the level of ………………development (agriculture/economic/political)
2. During the second plan, there are about …………… import commodities completely substituted by domestic production. (400/500/300)
3. ………….. promotion is an instrument to earn more foreign exchange to bridge the BoP gap. (export/import/commodity)
4. The import substitution aims at ……….. foreign exchange. (spending/distributing/saving)
5. Balance of Payments deficit can be bridged by strict fiscal and …………… discipline. (political/ monetary/industrial)
6. In order to control credit flows, the government of India had been using both …..and qualitative measures of credit control. (quantitative/regular/administrative)
7. Until the end of 1970s, …….were regarded as a source of foreign exchange rather as an efficient means of allocating resources. (imports/production/exports)
8. India is the ………..largest exporter of services in the world in 2006-07. (3rd/10th/5th)
9. The high growth in imports in the post-liberalization era has been partly the result of increasing import intensity of………….. goods(capital /labour/equipment)
10. The overall trend of imports reflects that India has been becoming an ……… country. (import promotion/agricultural/industrialized)
11. The increase in the value of imports was largely due to the increase in prices of ……..,oil and lubricants.(petroleum/foodgrains/machinery)
12. The widening of trade deficit was the outcome of ……export growth rates. (high/slow/fast)
13. Payments of investment income in the form of higher dividends, profits and royalty to foreigners are a component of …….. payments. (visible/priority/invisible)
14. Under the ………….Scheme,certain imports were permitted against export entitlement. (Exim Scrip/Debt Service/Deposit)
15. …….. trade is another export strategy whereby payments for the import of various materials and other inputs are made through the export of domestic manufactured goods to other country. (mutual/counter/direct)
16. The payments for imports against foreign currency loans extended by foreign governments/FIIs are made by ………Payment Method (Direct/Indirect/Reverse)
17. After the current account convertibility of rupees was introduced in 1994, there are no exchange restrictions on ………… account.(capital/current/saving)
18. Reduction in the growth of money supply tends to reduce ………….aggregate (supply/consumption/demand)
19. Capital Account Convertibility (CAC) is the freedom to convert local financial assets into …….financial assets at market determined exchange rates. (regional/foreign/internal)
20. A committee on capital account convertibility was setup by the Reserve Bank of India (RBI) under the chairmanship of former RBI deputy governor ………… .(S.S. Tarapore/C.Rangarajan/T.N.Srinivasan)

Key answer

1. economic
2. 300
3. export
4. saving
5. monetary
6. quantitative
7. exports
8. 10th
9. capital
10. industrialized
11. petroleum
12. slow
13. invisible
14. Exim Scrip
15. counter
16. Direct
17. current
18. demand
19. foreign
20. S.S Tarapore