(TYBCom – VI) (75/25)

9/10/18

Paper / Subject Code: 11113 / Business Economics.: Paper VI.

230

Q.P. Code :32367

[Time: 2:30 Hours]

[Marks:75]

Please check whether you have got the right question paper.

N.B:
1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Draw neat and clear diagrams wherever necessary.

Q. 1 Attempt any two of the following: (15)

a) According to Ricardo, "the essence of international trade is not the absolute difference in cost but comparative difference in cost". Discuss

b) Explain Heckscher-Ohlin theory of international trade with special reference to factor abundance and factor intensity.

c) Discuss the various gains from International trade.

Q. 2 Attempt any two of the following: (15)

a) Explain the structure of balance of payments.

b) State and discuss the non-monetary measures for correcting disequilibrium in the balance of payments.

c) Discuss the trends in India's balance of payments since 1991.

Q. 3 Attempt any two of the following: (15)

a) Explain the functions of foreign exchange market.

b) Distinguish between spot and forward exchange rates.

c) Discuss the role of Hedging and Speculation in the foreign exchange market.

Q. 4 Attempt any two of the following: (15)

a) Explain how equilibrium rate of exchange is determined with the help of a suitable diagram.

b) Discuss absolute version of the purchasing power parity theory.

c) Outline role of the Central Bank in foreign exchange market.

Q. 5 A) State with reasons, whether the following statements are true or false. **(any four)** (08)

i) If the import prices are greater than export prices, terms of trade are favorable to the country.

ii) International trade increases welfare of only exporting countries.

iii) Devaluation of domestic currency makes exports costlier and import cheaper.

iv) WTO deals with domestic trade.

v) Commercial banks participate in the foreign exchange market.

vi) Arbitrage helps to equalize exchange rate in different foreign exchange markets.

vii) Investment in financial assets abroad will increase the demand for foreign exchange.

viii) Flexible exchange rate creates uncertainty among exporters and importers.

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B) Choose the correct answer and rewrite the sentences. (any seven) (07)

i) Factor endowment theory of international trade was developed by _______.
   a) Adam Smith b) David Ricardo c) Heckscher and Ohlim d) Alfred Marshall

ii) Commodity terms of trade is also known as _______.
   a) Gross barter terms of trade b) Net barter terms of trade
   c) Income terms of trade d) Utility terms of trade

iii) Reciprocal demand is expressed in terms of _______.
   a) demand curve b) offer curve c) supply curve d) none of these

iv) Foreign direct investment is included in _______.
   a) trade account b) current account c) capital account d) invisible account

v) Devaluation results in ________.
   a) cheaper exports b) cheaper imports
   c) immediate increase in domestic price level d) fall in exports

vi) Intellectual property rights take the following forms _______.
   a) copy rights b) trade marks c) geographical indications d) all of the above

vii) Speculation in foreign exchange market refers to _______.
   a) accepting risk to make profit b) careful hedging c) interest arbitrage d) None of these

viii) Hedgers operate in forward exchange market to _______.
   a) cover the risk b) earn profit c) speculate d) none of these

ix) Fixed exchange rate system was _______.
   a) unstable b) less stable c) more stable d) flexible

x) The relationship between demand for foreign exchange and the exchange rate is _______.
   a) inverse b) direct c) positive d) none of these

xi) The purchasing power parity theory was introduced by _______.
   a) Alfred Marshall b) David Ricardo c) Gustav Cassel d) Adam Smith

xii) FEMA stand for _______.
   a) Foreign Exchange Marketing Act b) Foreign Exchange Management Act
   c) Foreign Entertainment Management Act d) Foreign Equity Management Act

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