

TYBCOM SEM VI - MCQs

Business Economics

1. The classical theory of international trade was given by _____
 - a. G V Haberler
 - b. David Ricardo
 - c. Heckscher
 - d. none of the above.

2. Under _____ type of cost difference international trade will not take place.
 - a. Absolute
 - b. comparative
 - c. Equal
 - d. Different

3. The classical theory of international trade is based on the assumption of _____
 - a. Money cost differences
 - b. Law of returns
 - c. Elasticity of demand
 - d. labour cost of production

4. Modern theory of international trade is based on the assumption of _____
 - a. Trade between many countries
 - b. Free trade
 - c. Labour intensive production in all countries
 - d. Trade of goods and services

5. The main cause of international trade according to Modern theory is _____
 - a. Opportunity cost differences
 - b. demand for commodities
 - c. Differences in relative commodity prices.
 - d. conditions of supply of commodity

6. According to Modern theory relative factor prices in two countries are determined by _____
 - a. Differences in factor endowments
 - b. Productive efficiency of labour.
 - c. Comparative cost conditions
 - d. Money cost differences

7. If the export price is greater than the import price , terms of trade will be _____

- a. Favourable
- b. unfavourable
- c. Neutral
- d. None of the above

8. If the import price is greater than the export price, terms of trade will be_____

- a. Favourable
- b. Unfavourable
- c. Neutral
- d. None of the above

9. The NBTT considers

- a) Ratio of price of exports to that of imports
- b) Quantity of export and imports
- c) Percentage of exports and imports
- d) None of the above

10. GBTT considers

- a) Ratio of price of exports to that of imports
- b) Ratio of volume of imports to exports expressed as a percentage
- c) Ratio of earning from exports to that of imports
- d) None of the above

11. _____ introduced the concept of GBTT

- a. Adam Smith
- b. Alfred Marshall
- c. Amartya Sen
- d. David Ricardo

12. _____ introduced the concept of Income Terms of Trade

- a. Prof. Taussig
- b. Alfred Marshall
- c. G.S. Dorane
- d. David Ricardo

13. The Income Terms of Trade reflects a country's capacity to _____

- a. produce
- b. Export
- c. Import
- d. None of the above

14. Both single and double factorial terms of trade were developed by _____

- a. Prof. Taussig
- b. Gustav Cassel
- c. David Ricardo
- d. Jacob Viner

15. The terms of trade index which takes into consideration the productivity index of not only export goods but also the productivity index of factors producing import good is _____

- a. Income Terms of trade
- b. Single Factoral terms of trade
- c. Double Factoral Terms of trade
- d. None of the above

16. Utility terms of trade was introduced by

- a. Alfred Marshall
- b. Walrus
- c. Jacob Viner
- d. None of the above

17. International trade leads to following gains

- a. Higher production
- b. higher economic welfare
- c. Increase in consumption
- d. all of the above

18. Reciprocal demand is expressed in terms of _____

- a. Cost curves
- b. supply curves
- c. Offer curves
- d. none of the above

19. Equilibrium terms of trade according to J. S. MILL is determined by the condition of _____

- a. Market demand
- b. aggregate demand
- c. reciprocal demand
- d. None of the above

20. The offer curve of a country is based on _____

- a. Price of exports
- b. Price of imports
- c. Relative prices of two commodities
- d. None of the above

21. The concept of offer curves to explain the gains from trade was introduced by _____

- a. J.M. Keynes
- b. Marshall – Edgeworth
- c. J.S. Mill
- d. None of the above

22. According to the modern theory of International trade, _____ is responsible for international trade

- a. Factor endowments
- b. labour
- c. Money
- d. None of these

23. According to Ricardo, international trade is beneficial under

- a. Absolute cost
- b. comparative cost
- c. equal difference in cost
- d. None of these

24. Ricardian theory assumes perfect mobility of labour

- a. within the country
- b. between the countries
- c. both within and between the countries
- d. None of these

25. H.O. theory can explain

- a. Inter-regional trade
- b. International trade
- c. Both (a) and (b)
- d. none of these

26. According to H. O. Theory the international trade takes place due to the factor difference in

- a. labour efficiency
- b. difference in product price
- c. better technology
- d. none of these.

27. According to H.O. theory product price depends on

- a. factor intensity
- b. factor abundance
- c. factor cost
- d. all the above

28. Reciprocal demand is

- a. mutual demand of two countries to each others goods
- b. mutual supply
- c. price of exports and imports
- d. None of the above

29. Comparative cost theory is a static theory because according to it

- a. there is no qualitative and quantitative change in inputs
- b. labour is homogenous within the country
- c. there is no transport cost
- d. none of these

30. Ricardian theory measures comparative cost in terms of

- a. money
- b. labour days
- c. cost of all inputs
- d. none of these

31. Ricardian theory assumes that

- a. Labour is homogenous and of same efficiency in all countries
- b. Labour is homogenous within the country
- c. Labour differs in efficiency within the country
- d. None of these

32. Ricardian comparative cost theory can be extended or applied to

- a. more than two commodities
- b. only two countries
- c. only to developed countries
- d. None of these

33. Commodity X is capital intensive if in its production

- a. Capital/Labour (K/L) ratio is greater than Y
- b. Physical units of K and L are greater than Y
- C. X requires better technology than Y
- d. None of these

34. H. O. theory cannot be applied to more than

- a. Two countries
- b. Two commodities
- c. can be extended to many commodities and many countries
- d. None of these

35. Terms of trade are expressed as a

- a. ratio of foreign exchange receipts and payments
- b. ratio of price index of exports and imports
- c. ratio of foreign direct investment and portfolio investment
- d. None of these.

36. Terms of trade are favourable , if the current index in comparison to the base year index is

- a. less
- b. more
- c. same
- d. None of these

37. Gross barter terms of trade takes into account

- a. all the items
- b. only services
- c. trade items and unilateral payments
- d. None of these

38. Income terms of trade tells increased capacity

- a. export
- b. import
- c. investment
- d. investment

39. Single factoral terms of trade takes into account changes in

- a. export and import prices
- b. changes in efficiency of factors producing export goods
- c. changes in demand for imports
- d. None of these

40. The developing countries , it is argued , usually

- a. enjoy favourable terms of trade
- b. suffer from adverse terms of trade
- c. have better income terms of trade
- d. None of these

41. An offer curve

- a. differs from an usual demand curve only
- b. differs from an usual supply curve only
- c. differs from both usual demand and supply curves.

42. International trade increases the economic welfare of

- a. exporting country
- b. Importing country
- c. All the countries that participate in international trade
- d. None of these

43. International trade

- a. stimulates innovations
- b. brings down the cost of production
- c. diversifies the consumption
- d. All the above

44. Cultural changes due to international trade are always

- a. Positive
- b. negative
- c. Both positive and negative
- d. None of these

45. According to the modern theory of international trade , _____ is responsible for international trade .

- a. Factor endowments
- b. Labour
- c. Money
- d. None of these

46. _____ refers to rate at which a country's exports exchange against its imports

- a. Foreign exchange
- b. Balance of payments
- c. Terms of trade
- d. Investment rate

47. Marshall and Edgeworth introduced a geometrical device to explain the gains from trade which is known as _____

- a. Indifference curve
- b. Isoquant curve
- c. BOP curve
- d. Offer curve

48. Factor endowment theory of international trade was developed by _____

- a. Adam Smith
- b. David Ricardo
- c. Heckscher and Ohlin
- d. Alfred Marshall

49. 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
50. Reciprocal demand is expressed in terms of _____.
a. Demand curve b. Offer curve
c. Supply curve d. None of these
51. According to the modern theory, relative factor prices in two countries are determined by_____
a. Differences in factor endowments b. Productive efficiency of labour
c. Comparative cost conditions d. Money cost differences
52. The Income terms of trade reflects a country's capacity to_____
a. Produce b. Export
c. Import d. None of the above
53. The concept of offer curves to explain the gains from trade was introduced by ____.
a. J.M. Keynes b. Marshall- Edgeworth
c. J.S. Mill d. None of the above
54. The classical economist Adam Smith was a champion of _____.
a. Protectionism b. Free trade
c. Trade wars d. None of the above
55. The origin of protectionist policy can be traced back to _____.
a. Free trade area b. Mercantilists days
c. Globalisation period d. None of the above

56. Infant Industry argument is justified for _____

- a. Protecting new industries
- b. For enabling competitive efficiency of industries
- c. For strengthening new industries
- d. All of the above

57. Pick out wrong statement.

- a. Tariffs restrict trade
- b. Import quotas have a direct effect in reducing imports
- c. Voluntary export restraint is an example of tariff barriers
- d. An export subsidy is a government grant given to an export firm.

58. Economic integration means

- a. Repeal of tariffs
- b. Removal of custom duties
- c. Facilitating the movement of goods and services
- d. All of the above

59. _____ is the highest form of economic integration

- a. Preferential trading system
- b. Free trade union
- c. Customs Union
- d. Economic Union

60. The European Economic Community (EEC) was founded in 1957 under the treaty of _____

- a. Paris
- b. Rome
- c. Washington
- d. None of the above

61. Pick out the features which does not describe European union
- a. Common currency
 - b. Elimination of customs duties on the movement of goods
 - c. Independent policies for agriculture among member nations
 - d. Creation of a European social Fund to improve Employment Opportunities of workers.
62. European union was initially formed with _____ European countries.
- a. 27
 - b. 28
 - c. 06
 - d. 05
63. The Referendum for Brexit was held on _____
- a. July 1st 2017
 - b. June 23rd 2016
 - c. September 1, 2017
 - d. None of the above
64. ASEAN was formed with the signing of _____
- a. European declaration
 - b. American declaration
 - c. Asean declaration
 - d. Bangkok declaration
65. Cultural changes due to international trade are always
- a. Positive
 - b. negative
 - c. both positive and negative
 - d. none of these
66. Protectionist policy
- a. Encourages international specialization
 - b. promotes global production
 - c. Helps prevent dumping
 - d. Reduces government intervention in trade

67. A system that makes it mandatory for domestic producers to use some proportion of domestic raw material is known as

- a. Mixing quota
- b. global quota
- c. Allocated quota
- d. Import licensing

68. A tariff expressed as either a specific or an ad valorem rate , whichever is higher , is known as

- a. General tariff
- b. Mixed tariff
- c. Compound tariff
- d. Countervailing tariff

69. Which of the following is not a NTB?

- a. Voluntary export restrictions
- b. Local content requirement
- c. Administrative barriers
- d. Tariff rate quotas

70. Which one of the following NTBs prevents free movement of capital between countries?

- a. Preferential government procurement
- b. Exchange Controls
- c. Domestic subsidies
- d. Local content requirement

71. Pick out wrong statements.

- a. Tariffs are primarily levied to earn revenue
- b. Tariffs are levied to protect domestic industries
- c. Tariffs reduce the prices of the commodity on which it is levied
- d. Tariffs affect the income and employment

72. Pick out the wrong statement

- a. The objective of ASEAN is to achieve economic, political, social and cultural co-operation among its members
- b. U.K. is a member of ASEAN
- c. There will be free movement of goods and services within ASEAN
- d. ASEAN FTA will improve business competitiveness between the members

73. A commercial policy is a government policy related to_____

- a. Commercial transactions of private companies
- b. Economic transactions across international borders
- c. Commercial transactions of developed countries
- d. None of the above

74. Which one of the following is not an objective of commercial trade policy?

- a. To preserve foreign exchange reserves
- b. To determine the rate of interest
- c. To protect domestic industries from foreign competition
- d. To maintain favourable balance of payment

75. Which one of the following is an argument for free trade?

- a. Protects domestic industries
- b. Promotes self sufficiency
- c. Helps diversification of industries
- d. Promotes efficient allocation of world resources

76. Which of the following is an argument against the policy of free trade?

- a. Does not always benefit less developed countries
- b. Protects inefficient industries
- c. causes unemployment in the export sector
- d. Harms domestic consumers

77. Tariff rate quotas are

- a. Combination of tariffs and quotas
- b. based on the value of the traded commodity only
- c. based on the quantity or volume of the quantity only
- d. low tariff rate on an initial quantity of import within the quota limit and very high tariff rate on imports above the initial amount

78. The reduction in domestic consumption due to imposition of quota results in

- a. increase in government revenue
- b. increase in consumers surplus
- c. loss of social welfare
- d. increase in social welfare

79. A preferential trade area is a trade bloc where

- a. countries agree to reduce or eliminate tariff barriers on all goods imported from other member nations
- b. Countries agree to reduce or eliminate tariff barriers on selected goods imported from other member nations
- c. countries agree to have a common unified tariff against non members
- d. all barriers are eliminated to allow free movement of goods , services capital and labour

80. _____ is one of the disadvantages of international economic integration

- a. Cross border investment flows
- b. employment generation
- c. increasing interdependence
- d. conflict resolution

81. The full form of ASEAN

- a. Association of south African nation
- b. Association of south Europe Allied Nation
- c. Association Of east Asian nation
- d. None of the above

82. A free trade area is a trade bloc where

- a. countries agree to reduce or eliminate tariff barriers on all goods imported from other member nations
- b. countries agree to reduce or eliminate tariff barriers on selected goods imported from other member nations
- c. countries agree to have a common unified tariff against non members
- d. all barriers are eliminated to allow free movement of goods, services, capital and labour

83. A customs union is a trade block where

- a. countries agree to reduce or eliminate tariff barriers on all goods imported from other member nations
- b. countries agree to reduce or eliminate tariff barriers on selected goods imported from other member nations
- c. countries agree to have a common unified tariff against non members
- d. all barriers are eliminated to allow free movement of goods, services, capital and labour

84. A common or single market is a trade block where

- a. countries agree to reduce or eliminate tariff barriers on all goods imported from other member nations
- b. countries agree to reduce or eliminate tariff barriers on selected goods imported from other member nations
- c. countries agree to have a common unified tariff against non members
- d. all barriers are eliminated to allow free movement of goods, services, capital and labour

85. The _____ was signed to create the EU in 1993.

- a. Treaty of Maastricht
- b. Treaty of Rome
- c. Treaty of Lisbon
- d. Treaty of London

86. The EURO replaced the national currencies of 12 EU member nations in the year _____.

- a. 1997
- b. 2002
- c. 2000
- d. 1995

87. The functioning of the EU single market is governed by

- a. Treaty of Rome
- b. Treaty of Amity and Cooperation
- c. European Financial Stability Facility
- d. Treaty of the functioning of the European Union

88. The Eurozone crisis was essentially a _____ crisis.

- a. Immigration
- b. Food
- c. Sovereign Debt
- d. Political

89. ASEAN was formed in _____.

- a. 1967
- b. 1945
- c. 1999
- d. 2000

90. The _____ was established in 2015 to bring about economic integration to create a single market in ASEAN.

- a. ATIGA
- b. AEC
- c. AFTA
- d. ABIF

91. The aim of ABIF is to establish

- a. Banking integration in ASEAN
- b. Food security in ASEAN
- c. Free labour market in ASEAN
- d. Customs union in ASEAN

92. Balance of payments of a country includes:

- a. Current account b. Monetary account
- c. Capital account d. All of the above

93. Balance of payments of a country includes:

- a. Balance of trade b. Capital receipts and payments
- c. Saving and investment account d. Both (a) and (b)

94. Final balance of payments of a country is:

- a. Always balanced b. Always deficit
- c. Always surplus d. Fluctuates

95. Balance of payments of a country has parts:

- a. 2 b. 3
- c. 4 d. 5

96. Exchange rate for currencies is determined by supply and demand in system of:

- a. Fixed exchange rate
- b. Flexible
- c. Constant
- d. Govt regulated

97. If GNP of India rises, it will encourage:

- a. Exports
- b. Imports
- c. Both
- d. None of these

98. A country that does not trade with other countries is called an _____ economy:

- a. Open
- b. Closed
- c. Independent
- d. None of these

99. Invisible items in balance of payments include:

- a. Foreign remittances
- b. Income from tourists
- c. Internet charges
- d. All of the three

100. It helps countries to meet deficit in balance of payments:

- a. IMF
- b. WTO
- c. World Bank
- d. UNO

101. The balance of payments of country means

- a. Balance in income and expenditure of govt.
- b. Balance in demand and supply of money
- c. Balance in export and import earnings
- d. The annual account of foreign trade

102. What would cause a country's exchange rate to fall:

- a. An increased demand for its exports
- b. An increased demand for its imports
- c. An increased in flow of capital
- d. None of the above

103. Which of the following must always balance

- a. Balance of visible trade
- b. Balance of invisible trade
- c. Balance on the current account
- d. Balance of payments

104. What will be expected result if the value of rupee falls against dollar?

- a. The price of Indian goods in USA will rise
- b. The price of American goods in USA will fall
- c. The price of American goods in USA with fall
- d. The price of American goods in Indian will rise

105. Which of the following must always balance?

- a. Balance of visible trade
- b. Balance of invisible trade
- c. Balance on the current balance
- d. Balance of payments

106. Which of the following compares the average price of exports to average price of imports?

- a. The balance of payments
- b. The balance of trade
- c. The exchange rate
- d. The terms of trade

107. IMF represents

- a. International Monetary Fund
- b. International Money Flow
- c. International Money Forum
- d. International Monetary Finance

108. Flexible exchange rate system has the advantage:

- a. Automatic adjustment of balance of payments
- b. Easy to borrow from world bank
- c. Encourages exports
- d. None of the above

109. Fixed exchange rate system has the advantage:

- a. Automatic adjustment of balance of payments
- b. Increases govt. control over foreign trade
- c. Discourages unnecessary speculation about future trade deals
- d. (b) and (c) of above

110. Export of goods is called trade in:

- a. Visible goods
- b. Invisible goods
- c. Basic goods
- d. Real goods

111. Visible goods are recorded in this part of balance of payments account:

- a. Current account
- b. Capital account
- c. Govt. account
- d. Official account

112. Visible exports include:

- a. Remittance
- b. Computer hardware
- c. Computer software
- d. Transport cost

113. Visible imports include:

- a. Remittance
- b. Machinery
- c. Computer software
- d. Transport cost

114. If balance of payments of country is in deficit, then:

- a. Current account will be in deficit
- b. Country can increase money supply to meet deficit
- c. The country can borrow from abroad
- d. (a) and (c) of above

115. The balance of payments account of a country includes:

- a. Official transfer of foreign exchange
- b. Smuggling transactions
- c. Loans and aid
- d. Both a and c of the above

116. Foreign exchange reserves increase if:

- a. Govt increases taxes
- b. Exports increase imports remain the same
- c. Imports increase exports remain the same
- d. (a) and (b) of above

117. The receipts and payments for goods exported and imported are counted in:

- a. Trade account
- b. Capital account
- c. Current account
- d. Monetary account

118. IMF gives loans:

- a. To fill gap in balance of payments
- b. To fill gap in government budget
- c. To decrease inflation
- d. To increase employment opportunities

119. Which is the basic economic problem, which is common in all economic systems:

- a. Allocation of scarce resources
- b. Elimination of inflation
- c. To increase exports
- d. To reduce taxation

120. Foreign Direct investment is included in

- a. Trade account
- b. Current account
- c. Capital account
- d. None of the above

121. External borrowing is treated as

- a. Accommodative flow
- b. Autonomous flow
- c. Invisible flow
- d. None of these

122. Foreign exchange reserves of India include

- a. Indian currency
- b. SDRs
- c. Indian government securities
- d. None of the above

123. Current account balance includes the following items:

- a. Visible and invisible items
- b. Export and import of goods
- c. Only invisible items
- d. None of the above

124. Foreign investments is included in

- a. Capital account balance
- b. Current account balance
- c. Foreign exchange reserves
- d. All of the above

125. When autonomous receipts are more than autonomous payments which of the following is in surplus?

- a. Current account balance
- b. Balance of payments
- c. Capital account balance
- d. Foreign exchange reserves

126. The current account of balance of payment does not include :

- a. Balance of visible trade
- b. Import of services
- c. Unilateral services
- d. Foreign investment

127. Pick out the item which is not part of unilateral transfers

- a. Gifts
- b. Grants
- c. Loan
- d. Donation

128. Donations, grants, gifts and such other payments which do not have counter obligations are known as:

- a. Grants
- b. Aid
- c. Unilateral flows
- d. None of the above

129. If the deficit in the country's BOP persists for a long time it is a case of :

- a. Structural disequilibrium
- b. Fundamental disequilibrium
- c. Cyclical disequilibrium
- d. None of the above

130. Disequilibrium in the BOP caused by changes in the demand or supply relations of exports or imports or both refer to:

- a. Cyclical disequilibrium
- b. Short run disequilibrium
- c. Structural disequilibrium
- d. None of the above

131. The success of devaluation depends on:

- a. Nature of imports and exports
- b. Elasticity of demand for import and export
- c. International co-operation
- d. All of the above

132. Which of the following is not a non-monetary measure to correct the disequilibrium in BOP?

- a. Tariff
- b. Import quotas
- c. Export promotion
- d. Devaluation

133. TRIMS includes measures to:

- a. Treat foreign investment on par with domestic income
- b. Remove quantitative restrictions
- c. Treat foreign investment on par with domestic investment
- d. None of the above

134. TRIPs under WTO pertains to:

- a. Copy rights
- b. Trade marks
- c. Patents
- d. All of the above

135. Pick out the one which is not true of GATS:

- a. Services and service activities are covered under GATS
- b. National treatment to members
- c. No market access to service suppliers
- d. No discrimination between service suppliers

136. Pick out the feature which is not true of the Agreement on Agriculture

- a. Reduce domestic subsidies
- b. Reduce export subsidies
- c. Increase tariffs
- d. Increase trade in agricultural goods

137. Devaluation results in

- a. cheaper exports
- b. cheaper imports
- c. immediate increase in domestic prices
- d. fall in exports

138. Devaluation to be successful the sum of total export-import demand elasticities must be equal to

- a. one
- b. greater than one
- c. less than one
- d. zero

139. Tariffs imposed to reduce imports constitute

- a. monetary measures
- b. direct measures
- c. both direct and indirect measures
- d. none of the above

140. Expenditure reducing policies consist of

- a. Tight monetary policy
- b. Contractionary fiscal policy
- c. Expansionary monetary and fiscal policies
- d. Contractionary, monetary and fiscal policies

141. Expenditure switching policies used to correct deficit in the balance of payments consists of

- a. devaluation
- b. revaluation
- c. appreciation
- d. all of the above

142. Which of the following is not the cause of deficit in balance of payments?

- a. Increase in imports
- b. Fall in exports
- c. Globalisation
- d. Capital inflows

143. WTO came into existence on January 1 of

- a. 1994
- b. 1995
- c. 1996
- d. 2000

144. WTO incorporates proposals made by

- a. Arthur Dunkel
- b. Adam Smith
- c. Keynes
- d. Ricardo

145. Who has been given the mandate to negotiate multilateral rules in services?

- a. World Bank
- b. WTO
- c. IMF
- d. Central Banks

146. The supreme authority of WTO is

- a. Dispute Settlement body
- b. Ministerial Conference
- c. Director General
- d. General Council

147. The WTO agreement on agriculture does not aim at the following

- a. Improving market access
- b. Reducing domestic subsidies
- c. Reducing domestic support
- d. Increasing export subsidies

148. Intellectual property rights take forms of

- a. Copyright
- b. Trademark
- c. Geographical indications
- d. All of the above

149. Which of the following agreement deals with trade in service?

- a. GATS
- b. TRIPs
- c. TRIMs
- d. All of the above

150. Arbitrage refers to

- a. arbitrary exchange rate between the two markets
- b. purchase and sale of an asset for the same price
- c. purchase of an asset in a low price market and its sale in a higher price market
- d. None of the above

151. Which of the following is not included in the wholesale foreign exchange market

- a. Central Bank
- b. Commercial Banks
- c. Tourists
- d. None of these

152. Arbitrage takes place because

- a. Difference in bid and ask price of different banks
- b. Difference exchange rate at different places
- c. Both a and b
- d. None of the above

153. Foreign exchange market is the place where

- a. only foreigners purchase the required currency
- b. exchange the currencies of only foreign countries
- c. various national currencies are purchased and sold
- d. None of the above

154. Hedging operation helps

- a. earn profit
- b. earn foreign currency
- c. cover risk
- d. None of these

155. Which of the following is true for the equilibrium rate of exchange?

- a. There is no excess demand for and supply of foreign exchange
- b. There is excess demand for, but no excess supply of foreign exchange
- c. There is no excess supply of, bur there is excess demand for foreign exchange
- d. There is excess demand for and excess supply of foreign exchange

156. If the demand for a country's major merchandise imports is price inelastic, then

- a. The demand for foreign exchange is likely to be consistently low
- b. The demand for foreign exchange will not be affected by elasticity
- c. The demand for foreign exchange is likely to be consistently high
- d. The demand for foreign exchange is likely to be consistently low

157. Which of the following will increase the supply of foreign exchange in the country?

- a. A reduction in exports
- b. A rise in import of goods
- c. A rise in unilateral payment
- d. A rise in receipts of capital

158. When the demand of foreign exchange rises, with no change in its supply, then

- a. The domestic currency will depreciate against the foreign currency
- b. The domestic currency will appreciate against the foreign currency
- c. The foreign currency will depreciate against the domestic currency
- d. The exchange rate will remain constant

159. A high interest rate in the country, assuming that interest rate in the foreign country remains the same, will

- a. Reduce the supply of foreign currency in the home market
- b. Increase the supply of foreign currency in the home market
- c. Increase the demand for foreign currency in the home market
- d. None of the above

160. The PPP theory explains

- a. the determination of long term equilibrium exchange rates based on relative price levels of two countries
- b. the determination of short term equilibrium exchange rates based on relative price levels of two countries
- c. the determination of long term equilibrium exchange rates based on long term capital flows between two countries
- d. the determination of long term equilibrium exchange rates based on the short term capital flows between two countries

161. The Law of One Price states

- a. That different quality goods will have the same price in different markets when expressed in different currencies
- b. That the identical goods will have different prices in the same market when expressed in the same currency
- c. That identical goods will have different prices in different markets when expressed in different currencies
- d. Identical goods will have the same price in different markets when the prices are expressed in the same currency

162. Which of the following is not an assumption of the Law of one price

- a. There are no trade barriers
- b. The two goods are identical
- c. Transport costs exist
- d. Transport costs are absent

163. According to the PPP theory, equilibrium rate of exchange should be such that
- a. the exchange of currencies would involve the exchange of equal amounts capital
 - b. the exchange of currencies would involve the exchange of different amounts of purchasing power
 - c. the exchange of currencies would involve the exchange of equal amounts of purchasing power
 - d. All the above

164. According to the PPP theory , the rate of exchange between the currencies of two countries is determined by
- a. their relative price levels
 - b. their imports and export volumes
 - c. their imports and export values
 - d. their relative capital movements

165. Which if the following is not an assumption of the PPP theory?
- a. There are no trade barriers between the countries
 - b. The price index for each of the two countries must be comprised of the same basket of goods
 - c. All the prices should be indexed to the same year
 - d. Change in the exchange rate changes internal price level

166. If a basket of commodities is sold at Rs 200 in India and the basket of identical commodities sell at \$5 in the USA, then the exchange rate, expressed as a price of \$ 1 in terms of rupees, will be
- a. Rs 20
 - b. Rs 40
 - c. Rs 50
 - d. None of the above

167. According to the relative version of PPP Theory, changes in the equilibrium rate of exchange will be governed by

- a. the absolute purchasing power in the two countries
- b. the changes in the ratio of the respective purchasing power in the two countries
- c. the changes in the balance of payments position of the of the two countries
- d. All the above

168. The IMF started to operate in

- a. 1995
- b. 1947
- c. 1944
- d. 1954

169. Between 1947 and 1971, India followed the

- a. Par value system
- b. Basket-peg system
- c. Managed flexible system
- d. LERMS

170. LERMS was introduced in

- a. 1991
- b. 1980
- c. 1992
- d. 2000

171. In order to prevent appreciation of the rupee against the US \$, the RBI will

- a. Sell US \$
- b. Sell bonds
- c. Buy bonds
- d. Buy US \$

172. When the RBI intervenes to maintain a desirable exchange rate, it is termed as

- a. Sterilized intervention
- b. Managed intervention
- c. Unsterilized intervention
- d. None of the above

173. Under the sterilized intervention policy, RBI is likely to

- a. Use OMO
- b. Purchase foreign currencies
- c. Sell foreign currencies
- d. Interest rate manipulation

174. Since 2015 the rupee has been

- a. Appreciating
- b. Depreciating
- c. Remained stable
- d. None of these

175. The modern foreign exchange market functions in a system of _____

- a. Fixed exchange rate
- b. Gold standard
- c. Britton Wood system
- d. Floating exchange rate

176. Pick out the feature which is not true of the foreign exchange market

- a. Buying and selling of currencies
- b. Largest market
- c. High liquidity
- d. Existence of a central market place

177. In the determination of an exchange value of currency, the first currency of a currency pair is called _____

- a. Price currency
- b. Hard currency
- c. Base currency
- d. None of the above

178. The currency used for international transactions irrespective of the importing or exporting country's currency is called _____

- a. Soft currency
- b. Bitcoin
- c. Vehicle currency
- d. None of the above

179. Pick out the feature which is not true of the foreign exchange market

- a. It is open for 24 hours a day
- b. Not one single entity can control the market
- c. Huge market
- d. It has limited geographical dispersion

180. _____ enables an investor to earn high returns while minimizing capital risks.

- a. Liquidity
- b. reserves
- c. Returns
- d. Leverage

181. Trading in foreign exchange has become simple and fast due to _____.

- a. Simple procedures
- b. Geographical proximity
- c. Improved technology
- d. None of the above

182. Pick out the feature which is not true of the foreign exchange market.

- a. Huge trading volumes
- b. Operates throughout the week
- c. Presence of risk element
- d. Leverage enables to make profit

183. The provision of foreign bills of exchange in international payments is an example of_____.

- a. Transfer function
- b. Credit function
- c. Speculation
- d. None of the above

184. The function which helps in international clearing of debts of countries is known as

- a. Transfer function
- b. Hedging function
- c. Credit function
- d. None of the above

185. The function which enables the traders to fix forward rates is known as _____.

- a. Speculation
- b. Transfer function
- c. Hedging function
- d. None of the above

186. The demand for foreign exchange rate arises due to _____

- a. Commodity exports
- b. Travel expenditure abroad
- c. Export of capital
- d. All of the above

187. The supply of foreign exchange comes from _____.

- a. Commodity exports
- b. Unilateral transfers
- c. Travelling expenses
- d. All of the above

188. The relationship between demand for foreign exchange and the exchange rate is _____.

- a. Inverse
- b. Positive
- c. Direct
- d. None of the above

189. The relationship between supply of foreign exchange and exchange rate is _____.

- a. Direct
- b. Inverse
- c. Negative
- d. None of the above

190. Equilibrium exchange rate can change according to _____.

- a. Inflation rate
- b. Interest Rate
- c. Political factors
- d. All of the above

191. Purchasing power parity assumes that the prices of all goods change _____.

- a. Slowly
- b. Uniformly
- c. Differently
- d. None of the above

192. The purchasing power parity theory was introduced by _____.

- a. David Ricardo
- b. Gustav Cassel
- c. Alfred Marshall
- d. Amartya Sen

193. The difference between Absolute version of the purchasing power parity and the Relative version of the same theory is _____.

- a. Exchange rate depends on the supply of currency
- b. Exchange rate depends on demand for currency
- c. Exchange rate depends on demand for goods
- d. Exchange rate depends on the amount of inflation differential

194. Pick out the limitation of the relative version of the PPP theory

- a. Does not explain short term and long term capital flows
- b. Supply and demand elasticities are ignored
- c. Tastes and preferences are not considered
- d. All of the above

195. Pick out the factor which is not true of the PPP theory

- a. Assumption of perfect competition
- b. Irrelevant to large countries
- c. Capital transfers are taken into account
- d. None of the above

196. Speculators and arbitrageurs are interested in _____.

- a. Covering risk
- b. Serving society
- c. Making profit
- d. None of the above

197. _____ deals in the foreign exchange market.

- a. Brokers
- b. Commercial Banks
- c. Travel Agents
- d. All of the above

198. Pick out the feature which is not true of spot rate.

- a. Demand and supply fixes the spot rate
- b. It is the current exchange rate
- c. The actual clearing of payment takes one month
- d. It is based on the value of an asset at the moment

199. The forward exchange rate is the result of the activities of _____.

- a. Arbitrageurs
- b. Hedgers
- c. Speculators
- d. All of the above

200. Simultaneous buying of a currency in one market and selling in another to make a profit is known as

- a. Speculation
- b. Hedging
- c. Arbitrage
- d. None of the above

201. The exchange rate is

- (a) the price of one currency relative to gold.
- (b) the value of a currency relative to inflation.
- (c) the change in the value of money over time.
- (d) the price of one currency relative to another.

202. Exchange rates are determined in

- (a) the money market.
- (b) the foreign exchange market.
- (c) the stock market.
- (d) the capital market.

203. Although market trades are said to involve the buying and selling of currencies, most trades involve the buying and selling of

- (a) bank deposits denominated in different currencies.
- (b) SDRs.
- (c) gold.
- (d) ECUs.

204. The immediate (two-day) exchange of one currency for another is a

- (a) forward transaction.
- (b) spot transaction.
- (c) money transaction.
- (d) exchange transaction.

205. An agreement to exchange dollar bank deposits for euro bank deposits in one month is a

- (a) spot transaction.
- (b) future transaction.
- (c) forward transaction.
- (d) monthly transaction.

206. Today 1 euro can be purchased for \$1.10. This is the

- (a) spot exchange rate.
- (b) forward exchange rate.
- (c) fixed exchange rate.
- (d) money exchange rate.

207. In an agreement to exchange dollars for euros in three months at a price of \$0.90 per euro, the price is the

- (a) spot exchange rate.
- (b) money exchange rate.
- (c) forward exchange rate.
- (d) monthly exchange rate.

208. When a country's currency appreciates (rises in value relative to other currencies), the country's goods abroad become _____ expensive and foreign goods in that country become _____ expensive (holding domestic prices constant in the two countries).

- (a) more; less
- (b) more; more
- (c) less; less
- (d) less; more

209. When a country's currency depreciates, its goods abroad become _____ expensive while foreign goods in that country become _____ expensive.

- (a) more; less
- (b) more; more
- (c) less; less
- (d) less; more

210. The starting point for understanding how exchange rates are determined is a simple idea called _____, which states: if two countries produce an identical good, the price of the good should be the same throughout the world no matter which country produces it.

- (a) Gresham's law
- (b) the law of one price
- (c) purchasing power parity
- (d) arbitrage

211. The _____ states that exchange rates between any two currencies will adjust to reflect changes in the price levels of the two countries.

- (a) theory of purchasing power parity
- (b) law of one price
- (c) theory of money neutrality
- (d) quantity theory of money

212. The theory of PPP suggests that if one country's price level rises relative to another's, its currency should

- (a) depreciate.
- (b) appreciate.
- (c) float.
- (d) do none of the above.

213. The theory of PPP suggests that if one country's price level rises relative to another's, its currency should

- (a) depreciate in the long run.
- (b) appreciate in the long run.
- (c) depreciate in the short run.
- (d) do both (a) and (c) of the above.

214. The theory of purchasing power parity cannot fully explain exchange rate movements because

- (a) not all goods are identical in different countries.
- (b) monetary policy differs across countries.
- (c) some goods are not traded between countries.
- (d) of both (a) and (c) of the above.

215. The purchasing power parity may not fully explain exchange rate movements because

- (a) different countries have differing monetary policies.
- (b) of changes in the prices of goods and services not traded internationally.
- (c) the domestic price level changes by more than the foreign price level.
- (d) the foreign price level changes by more than the domestic price level.

216. The theory of purchasing power parity states that exchange rates between any two currencies will adjust to reflect changes in

- (a) the interest rates of the two countries.
- (b) the current account balances of the two countries.
- (c) the price levels of the two countries.
- (d) monetary policies of the two countries.

217. In the long run, a decline in a country's price level (relative to the foreign price level) causes its currency to _____, while a rise in the country's relative price level causes its currency to _____.

- (a) appreciate; appreciate
- (b) appreciate; depreciate
- (c) depreciate; appreciate
- (d) depreciate; depreciate

218. If a factor decreases the demand for _____ goods relative to _____ goods, the domestic currency will depreciate.

- (a) foreign; domestic
- (b) foreign; foreign
- (c) domestic; domestic
- (d) domestic; forest

219. Which of the following is international trade:

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

220. Theory of comparative advantages was presented by

- A. Adam smith
- B. Ricardo
- C. Hicks
- D. Arshad

221. Which is not an advantage of international trade:

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

222. Trade between two countries can be useful if cost ratio of goods are :

- A. Equal
- B. Different
- C. undetermined
- D. Decreasing

223. Modern theory of international trade is based in the views of:

- A. Robbins and Ricardo
- B. Adam smith and marshal
- C. Heckcs her and ohlin
- D. Saleem and kareem

224. Foreign trade creates among countries :

- A. Conflicts
- B. Cooperation
- C. Hatred
- D. Both (a) and (b)

225. Net exports equal :

- A. Exports x imports
- B. Exports + imports
- C. Exports - imports
- D. Exports of service only

226. A tariff :

- A. Increases the volume of trade
- B. Reduces the volume of trade
- C. Has no volume of trade
- D. (a) and (c) of above

227. A tariff is:

- A. A restriction on the number of exports firms
- B. Limit on the amount of imported goods
- C. Tax and imports
- D. (b) and (c) of the above

228. 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 tariff
- D. Sales of goods abroad at low a price, below their cost and price in home market

229. According to hecksher and ohlin basic cause of international trade is :

- A. Difference in factor endowments
- B. Difference in market
- C. Difference in political systems
- D. Difference in ideology

230. 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

231. 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

232. International trade and domestic trade differ because of

- a. Trade restriction
- b. Immobility of factors
- c. Different government policies
- d. All of the above

233. 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

234. Terms 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

235. Govt policy about exports and imports is called:

- a. Monetary policy
- b. Fiscal policy
- c. Commercial policy
- d. Finance policy

236. What would encourage trade between two countries

- a. Different tax system
- b. Frontier checks
- c. National currencies
- d. Reduced tariffs

237. It is a 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

238. It is a drawback of free trade :

- a. Prices of local goods rise
- b. Government loses income from custom duties
- c. National resources are underutilized
- d. (a) and (b) of above

239. This is an advantage of foreign trade

- a. We can preserve our natural resources
- b. New technology comes to the country
- c. People need not go abroad
- d. We can get foreign currencies

240. Foreign Trade :

- a. Increases employment opportunities
- b. Increases international mobility of labour
- c. Increases competition
- d. All of the above

241. In foreign trade, protection policy means:

- a. Restrictions on exports
- b. Restriction on transfer of foreign exchange
- c. Restriction on imports
- d. All of the above

242. The theory explaining trade between two countries is called:

- a. Comparative advantage
- b. comparative bargain
- c. Comparative trade
- d. Comprative returns

243. If a country decreases the external value of its currency ,it will affect :

- a. volume of exports
- b. volume of imports
- c. General price level
- d. All of the above

244. David Ricardo presented the theory of international trade called:

- a. Theory of absolute advantage
- b. Theory of comparative advantage
- c. Theory of equal advantage
- d. Theory of total advantage

245. Where is the headquarter of the WTO?

- a. New York
- b. Washington DC
- C. Geneva
- d. Austria

246. Which of the following statement is not true about the WTO?

- a. WTO is a permanent organisation
- b. Uruguay round gave the birth to the WTO
- c. Ministerial conference is the highest policy making body of the WTO
- d. WTO was officially constituted on 1st January 1991

247. Which of the following is not the objective of the WTO

- a. To improve the standard of living of peoples of the member countries
- b. To enlarge production and trade of goods
- c . To protect environment
- d. To improve the BOP situation of the member countries

248. Which of the following body is not related to the WTO?

- a. Dispute settlement body
- b. Trade policy review body
- c. Council of trade in goods
- d. Exchange Rate Management Body

249. Which of the following institution is associated with Dunkel proposals?

- a. World Bank
- b. International Monetary Fund
- C. World Trade Organisation
- d. United Nations Organisation