

CLASS : T.Y.B.COM.

SUBJECT : BUSINESS ECONOMICS – VI

QUESTION BANK

Sr. No.	Choose correct answer.
1	The classical theory of international trade was given by -----. [a) G.V.Haberlar 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	Bertil Ohlin's theory of international trade is also known as ----- [a) Traditional theory of international trade b) Opportunity cost theory of international trade c) Modern theory of international trade d) Inter regional theory of international trade]
4	Ricardian theory assumes that [a) Labour is homogeneous and of same efficiency in all the countries b) labour is homogeneous within the country c) Labour differs in efficiency within the country d) None of the above]
5	In international trade [a) factors of production move between the countries b) both factors and commodities move between the countries c) commodities move between the countries instead of factors d) None of the above]
6	Gross barter terms of trade takes into account [a) trade items and unilateral payments b) only services

	c) all the items d) None of the above]
7	Cultural changes due to international trade are -----. [a) only positive b) only negative c) positive and negative d) None of the above
8	Heckscher-ohlin theory is also known as ----- theory of international trade. [a) traditional b) modern c) classical d) none of the above)
9	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 above]
10	International Trade leads to the following gains : [a) Higher Production b) Higher economic welfare c) Increase in consumption d) All of the above]
11	Portfolio investments are include in ----- . [a) Trade balance b) Current account balance c) Capital account balance d) All of the above]
12	Equilibrium terms of trade according to J.S. Mill is determined by the condition of -----. [a) Reciprocal demand b) Market demand c) Aggregate demand d) None of the above]
13	The terms of trade will be favourable to a country when ----- [a) The supply of exports is elastic b) The supply of imports is elastic c) The size of the country is big d) None of the above]
14	The gain from trade is maximum if the international terms of trade are [a) nearer to the domestic terms of trade of importing country b) nearer to the internal terms of trade of trading partner c) equal to exporting country d) None of the above]
15	Which one of the following is an argument for free trade ? [a) Protects domestic industries b) Promotes self

	<p>sufficiency c) Helps diversification of industries d) Promotes efficient allocation of world resources]</p>
16	<p>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]</p>
17	<p>Countervailing tariffs specifically aim to [a) give preference to imports from a customs union b) retaliate to a tariff imposed by a trading partner c) neutralize the effects of subsidies given to the producers in the exporting countries d) counter dumping by other countries]</p>
18	<p>Which of the following is not a NTB ? [a) Voluntary export restrictions b) Local content requirement c) Administrative barriers d) Tariff rate quota]</p>
19	<p>The reduction in domestic consumption due to imposition of quota results in [a) increase in government revenue b) increase in consumer's surplus c) loss of social welfare d) increase in social welfare]</p>
20	<p>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]</p>
21	<p>The Eurozone crisis was essentially a ----- crisis. [a) Immigration b) Food c) Sovereign debt</p>

	d) Political]
22	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]
23	A customs union 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]
24	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]
25	The full form of TRIMs is ----- [a) Trade Related Investment Measures b) Trade related Insurance Measures c) Trade related Investment Method d) None of the above]
26	GATS stands for -----. [a) General Agreement on Tariff and Services b) General Agreement on Trade in Services c) General Agreement on Transport and Services d) None of the above]
27	After covering deficits on current a/c, excess capital a/c receipts are added to ----- [a) foreign exchange reserve b) IMF account c) official transfers d) All the above]
28	Private transfers on India's current account include -----. [a) Local withdrawal from NRI rupee deposits b) Foreign currency deposits c) Foreign exchange reserves

	d) None of the above]
29	----- has given mandate to negotiate multilateral rules relating to services. [a) World Bank b) IMF c) ADB d) WTO]
30	The highest authority of WTO is -----. [a) The Trade Policy Review Body b) The General Council c) The Dispute Settlement Body d) The ministerial Conference]
31	The effectiveness of devaluation depends on -----. [a) All of the below b) International cooperation c) Elasticity of demand for merchandise goods d) Elasticity of demand for services]
32	In the past several years, India's net invisibles were in ----- [a) surplus b) deficit c) balance d) None of the above]
33	Autonomous capital flows ----- other items in the balance of payments. [a) depend on b) are related to c) have impact on d) are independent of]
34	WTO agreements incorporated ----- proposals. [a) Adam Smith b) David Ricardo c) Arthur Dunkel d) John Keynes]
35	Foreign direct investment is a part of -----. [a) Trade account b) Capital account c) Current account d) none of the above]
36	Tariffs and quotas are imposed on imports to correct BOP deficit are called as ----- measures. [a) direct b) indirect c) passive d) all the above]
37	Hedging refers to ----- . [a) foreign exchange speculation b) the acceptance of foreign exchange risk c) the covering of a foreign exchange risk d) interest rate arbitrage]

38	Speculation in foreign exchange market refers to -----. [a) Hedging b) interest arbitrage c) accepting risk to make profits d) none of the above]
39	The rate at which the foreign currency is exchanged at current rate is called ----- rate. [a) spot b) forward c) arbitrage d) none of the above]
40	Vehicle currency -----. [a) a currency of IMF b) a standard internationally accepted currency c) a currency issued by RBI d) none of the above]
41	----- is not a defect of flexible exchange rate. [a) speculation b) structural unemployment c) discourages investments d) stability in international monetary system]
42	The modern foreign exchange market operates under ----- rate system. [a) fixed b) highly managed float c) floating d) all the above]
43	----- is a feature of foreign exchange market. [a) operates 24 hours for 5 day in a week b) operates 24 hours for all 7 days in a week c) operates 365 days in a year d) none of the above]
44	----- enables an investor to earn high returns while minimizing capital risks. [a) Liquidity b) Leverage c) Reserves d) all the above]
45	The function of foreign exchange market that helps in clearing international transactions is known as ----- . [a) credit b) hedging c) speculation d) transfer]
46	The foreign exchange rate of a nation is influenced by -----. [a) speculators b) hedgers c) arbitrators d) all the

	above]							
47	The demand for foreign currency arises due to -----. [a) imports b) exports c) investments from abroad d) none of the above]							
48	If there is more demand for foreign currency, the foreign currency will -----. [a) depreciate b) appreciate c) nil effect d) none of the above]							
49	There is a ----- relationship between demand for foreign currency and the exchange rate. [a) direct b) straight c) positive d) inverse]							
50	LERMS was introduced in India in ----- . [a) 1992 b) 2000 c) 2012 d) 2002]							
Ans wer	1 - b	11 - c	21 - c	31 - a	41 - d			
	2 - c	12 - a	22 - a	32 - a	42 - c			
	3 - c	13 - a	23 - c	33 - d	43 - a			
	4 - b	14 - b	24 - c	34 - c	44 - b			
	5 - c	15 - d	25 - a	35 - b	45 - d			
	6 - a	16 - b	26 - b	36 - a	46 - d			
	7 - c	17 - c	27 - a	37 - c	47 - a			
	8 - b	18 - d	28 - a	38 - c	48 - b			
	9 - b	19 - c	29 - d	39 - a	49 - d			
	10 - d	20 - b	30 - d	40 - b	50 - a			