

# **SAMPLE QUESTION BANK OF BUSINESS ECONOMICS- VI**

## **SEMESTER VI**

### **MODULE 1**

1) The first classical theory of International Trade is given by \_\_\_\_\_

- A) D. Ricardo                      B) Adam Smith                      C) J. S. Mill                      D) Ohlin

**ANSWER - B**

2) International trade is possible primarily through specialization in production of ..... goods.

- A) Two                      B) All                      C) One                      D) Few

**ANSWER - C**

3) In Heckscher Ohlin theory, \_\_\_\_\_ is assumed to be same across the countries.

- A) Labor                      B) Capital                      C) Technology                      D) Transportation

**ANSWER - C**

4) \_\_\_\_\_ is called as modern theory of international trade.

- A) Comparative Advantage                      B) Absolute Advantage  
C) Factor-endowments                      D) Comparative cost in terms of money

**ANSWER - C**

5) The main advantage in specialization results from:

- A) High wages paid to foreign workers.                      B) Smaller Production runs resulting in lower unit costs.  
C) The specializing country behaving as monopoly.                      D) Economies of large-scale production

**ANSWER - D**

6) If capital is available in large proportion and labour is less, then that economy is known as\_\_\_\_\_.

- A) Labor Intensive                      B) Capital Intensive                      C) Traditional Method                      D) Technological intensive

**ANSWER - B**

7) \_\_\_\_\_ terms of trade do not consider \_\_\_\_\_ of goods.

- A) Commodity & demand                      B) Commodity, Prices  
C) Commodity, Quality                      D) Commodity, Quantity

**ANSWER - C**

8) Who among the following enunciated the concept of single factorial terms of trade?

- A) TAUSSIG                      B) J. S. MILL                      C) G. S. DONENS                      D) JACOB VINER

**ANSWER - D**

9) According to Heckscher and Ohlin basic cause of international trade is:

- A) Difference in ideology    B) Difference in factor endowments  
C) Difference in market    D) Difference in methodology of production

**ANSWER - B**

10) David Ricardo presented the theory of international trade called:

- A) Absolute advantage    B) Comparative advantage    C) Equal advantage    D) Total Advantage

**ANSWER - B**

11) HO theory states that \_\_\_\_\_ price is the basis of international trade.

- A) Surplus Commodity    B) Equal Commodity  
C) High Commodity    D) Low commodity

**ANSWER - D**

12) Trade between two countries can be useful if cost ratios of goods are

- A) Different                      B) Equal                      C) Undetermined                      D) Increasing

**ANSWER - A**

13) The offer curve of a nation shows:

- A) the demand for a nation's exports  
B) the supply of a nation's imports  
C) the nation's demand for imports & supply of exports  
D) the trade partner's demand for imports and supply of exports

**ANSWER - C**

14) Offer curve of a country is based on \_\_\_\_\_.

- A) Income                      B) Relative prices of two commodities  
C) Import prices    D) Export prices

**ANSWER - B**

15) Reciprocal demand is expressed in terms of \_\_\_\_\_.

- A) Indifference Curve    B) Offer Curves

- C) Demand Curves      D) Cost Curves

**ANSWER – B**

16) Terms of Trade a country show

- A) Ratio of exports duties      B) Ratio of goods exported and imported
- C) Ratio of prices of exports and imports      D) Ratio of import duties

**ANSWER- C**

17) All are advantages of foreign trade except \_\_\_\_\_.

- A) Nations compete      B) Optimum utilization of countries' resources  
C) Cheaper goods        D) People get foreign exchange

**ANSWER- D**

18) \_\_\_\_\_ is not an advantage of international trade:

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

**ANSWER- B**

19) The ratio of an index of a country's export prices to an index of its import prices called as \_\_\_\_\_.

- A) Terms of trade  
B) Income terms of trade  
C) Commodity terms of trade  
D) Net barter terms of trade

**ANSWER- A**

20) Absolute advantage is determined by:

- A) Actual differences in labor productivity between countries.  
B) Relative differences in labor productivity between countries.  
C) Actual differences in capital productivity between countries.  
D) Relative differences in capital productivity between countries.

**ANSWER- A**

## MODULE 2

1) Free traders maintain that an open economy is advantageous in that it provides all the following except:

- A) Relatively high wage levels for all domestic workers
- B) The utilization of the most efficient production methods
- C) A wider selection of products for consumers
- D) Increased competition for world producers

**ANSWER- A**

2) Protectionist policy is used to improve \_\_\_\_\_?

- A) Capital A/c OF BOP      B) Current A/c Of BOP      C) Balance of Payment      D) Balance Of Trade

**ANSWER - C**

3) Import tariff benefits\_\_\_\_\_.

- A) Consumers                              B) Domestic producers  
C) Overseas suppliers                  D) Overseas Producers

**ANSWER- B**

4) Tariffs; Quotas; Other Non-tariff Barriers to Trade are the instruments of \_\_\_\_\_.

- A) Trade Policy      B) Foreign Exchange Policy      C) Monetary                  D) Fiscal Policy

**ANSWER- A**

5) Quotas, VER & Subsidies are the examples of \_\_\_\_\_.

- A) Tariff Barriers                  B) Non-Tariff Barriers  
C) Open economy                  D) Closed Economy

**ANSWER- B**

6) Which of the following is not a common form of tariffs?

- A) Ad-valorem      B) discriminatory      C) specific                  D) quota

**ANSWER - B**

7) A tariff\_\_\_\_\_

- A) has no effect volume of trade  
B) Reduces volume of trade  
C) Increases volume of trade      D) is not always effective

**ANSWER- B**

8) \_\_\_\_\_ type is created when countries enter into an economic agreement to remove barriers to trade and adopt common economic policies.

- A) FTA & PTA      B) Custom Union      C) Common Market      D) Economic Union

**ANSWER- D**

9) Trade between the nation without any restriction is known as \_\_\_\_\_.

- A) Protectionist Trade Policy    B) free Trade Policy  
C) Exchange Policy                      D) Terms of Trade

**ANSWER- B**

10) BREXIT is the withdrawal of \_\_\_\_\_ from the European Union (EU)

- A) Sweden                      B) United Kingdom (UK)                      C) Germany                      D) France

**ANSWER- B**

11) The Association of Southeast Asian Nations (ASEAN) was created in \_\_\_\_\_ by five founding-member countries.

- A) 1966                      B) 1967                      C) 1969                      D) 1970

**ANSWER- B**

12) Countries are agree to reduce or eliminate tariff barriers on selected goods imported from other member nations are coming under \_\_\_\_\_

- A) Economic Union                      B) CU                      C) PTA                      D) FTA

**ANSWER- C**

13) Voluntary export restraint is\_\_\_\_\_.

- A) Tariff Barrier    B) Non-tariff Barrier  
C) Monetary Barrier    D) Govt. Barrier

**ANSWER- B**

14) Tariffs\_\_\_\_\_

- A) Decreases the domestic price of a product  
B) Increases government earnings from tax.  
C) Increases the quantity of imports.  
D) Decreases domestic production.

**ANSWER- B**

15) \_\_\_\_\_ is an example of political and economic union.

- A) SAARC                      B) WTO                      C) ASEAN                      D) European Union

**ANSWER- D**

16) Tariffs levied as a percentage of the value of the product is a\_\_\_\_\_

- A) Countervailing duty.    B) Anti dumping duty.  
C) Ad valorem duty.    D) Specific duty.

**ANSWER- C**

17) The duty levied to counteract foreign suppliers is\_\_\_\_\_

- A) Specific duty.    B) Ad valorem duty.  
C) Anti dumping duty.    D) Countervailing duty.

**ANSWER- C**

18) Most tariffs have\_\_\_\_\_

- A) Only revenue effects    B) only protective effects  
C) Both protective and revenue effects    D) neither protective or revenue effects

**ANSWER- C**

19) \_\_\_\_\_ is a regional trading bloc in which member countries eliminate internal trade barriers but maintain existing barriers against countries that are not members

- A) Free Trade Area    B) Customs Union  
C) Common Market    D) Monetary Union

**ANSWER- A**

20) Trade creation takes place when\_\_\_\_\_.

- A) A country moves from autarky to free trade  
B) A movement to a customs union reduces the costs of trade through standardization  
C) Economic integration results in a movement in product origin to a lower-cost member Country  
D) Economic integration results in a shift in product origin from a lower-cost, nonmember Country to a member country having higher costs

**ANSWER- C**

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### MODULE 3

1) Current Account includes

- a) Borrowing    b) direct investment    c) portfolio investment    d) Unilateral transfer

**Answer -D**

2) In balance of payment account, all goods exported and imported are recorded in

- a) Capital account                      b) Merchandise account  
c) Invisible account                      d) current and capital account

**Answer -B**

3) If Japanese import more goods from India other things remain same

- a) Our balance of payments will improve                      b) Japan's BOP will deteriorate  
c) Our BOP will deteriorate                      d) a and b of above

**Answer -D**

4) Foreign direct investment enters in

- a) Capital account                      b) Merchandise account  
c) Invisible account                      d) current account

**Answer -A**

5) It helps countries to meet deficit in balance of payments

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

**Answer - A**

6) Which of the following commitments has not been made by India to WTO?

- A) Reduction in tariffs  
B) Increase in qualitative restrictions  
C) Increase in quantitative restrictions  
D) Trade related Intellectual Property Rights

**Answer- C**

a) Balance of trade                      b) Capital account

c) Saving and investment account    d) Foreign Exchange



**Answer -A**

14) Current Account includes

- a) Direct investment                      b) Portfolio investment
- c) Borrowing                              d) Trade account

**Answer -D**

15) Foreign exchange reserves include

- a) Domestic currency                      b) SDR
- c) Government securities                      d) financial instruments

Answer b)

16) \_\_\_\_\_ Disequilibrium is chronic in nature

- a) Cyclical      b) Fundamental      c) Structural      d) Monetary

**Answer -B**

17) Devaluation of a currency is brought about by the\_\_\_\_\_.

- a) World Bank                                      b) Asian Development Bank
- c) International Finance Corporation                      d) Central bank

**Answer -D**

18) Only visible goods are entered in \_\_\_\_\_.

- a) Capital account      b) foreign account      c) Trade account      d) current account

**Answer - C**

19) Which of the following is the main objective behind the establishment of WTO?

- A) No any settlement of disputes between nations
- B) To widen the principle of free trade to sectors such as services and agriculture
- C) Not covering more areas than GATT
- D) Giving Guidelines only for Agricultural trade

**Answer - B**

20) Which among the following reflects transactions that have not been recorded for various reasons and so cannot be entered for various reasons and so cannot be entered under a standard heading but must appear since the full balance of payments account must sum to zero.

- a) Structural disequilibrium
- b) Short- run disequilibrium
- c) Long- run disequilibrium
- d) Cyclical disequilibrium

**Answer -C**

21) If Toyota Company, establishes a factory in India, this will be recorded as balance of payment in the section of:

- A) Trade Account
- B) Capital Account
- C) Current Account
- D) Forex Account

**Answer -B**

22) Devaluation to be successful the sum of the total of export-import demand elasticity's must equal to

- a) One
- b) greater than one
- c) less than one
- d) Zero

**Answer –B**

23) The current account of balance of payments does not include.\_\_\_\_\_

- A) Trade in goods
- B) Trade in services
- C) Income on Investment
- D) Long term investment

**Answer- B**

24) TRIPs stand for

- a) Trade related investment Property Rights
- b) Trade Related investment Public Rights
- c) Trade Related intellectual Property Rights
- d) Trade Related investment Property relation

**Answer-C**

25) WTO replaced

- a) TRIPs
- b) TRIMs
- c) GATT
- d) GATS

**Answer- C**

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## MODULE 4

1) Rate at which the transaction place at a future date.

- a) spot exchange rate                      b) forward exchange rate
- c) Fixed exchange rate                      d) flexible exchange rate

**Answer -b**

2) Which of the following is not included in wholesale foreign exchange market?

- a) commercial bank                      b) central bank                      c) tourist                      d) Money market

**Answer -c**

3) 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

**Answer- d**

4) Current exchange rate between two countries known as

- a) spot exchange rate                      b) forward exchange rate
- c) Fixed exchange rate                      d) flexible exchange rate

**Answer- a**

5) \_\_\_\_\_ is not a function of foreign exchange market

- a) Transfer                      b) hedging                      c) Credit                      d) Investment

**Answer- d**

6) The act of buying a currency in one market and selling it in another to make profit is

- a) Arbitrage                      b) speculation                      c) Credit                      d) Investment

**Answer- a**

7) Arbitrage in foreign exchange market refers to \_\_\_\_\_.

- a) Buying or selling of currencies in large volumes
- b) Booking of forward contracts without intention to execute

- c) Buying or selling with a view to make profits from movement in exchange rates
- d) Buying or selling with a view to making riskless profits

**Answer - C**

8) India's net balance in invisible between 2013-2016 was

- a) Balance
- b) Deficit
- c) Surplus
- d) Surplus or deficit

**Answer- c**

9) Which of the following increase the supply of foreign exchange in country

- a) A reduction in export
- b) A rise in import of goods
- c) a rise in import of capital
- d) a rise in unilateral payment

**Answer- c**

10) Rate at which the currencies of two nations are exchanged for each other

- a) Spot rate
- b) forward rate
- c) fixed rate
- d) exchange rate

**Answer -d**

11) When the demand for foreign exchange increases, the exchange rate

- a) decreases
- b) increases
- c) remain constant
- d) increases or decrease

**Answer -b**

12) Demand for foreign exchange varies \_\_\_\_\_ with exchange rate

- a) Inversely
- b) directly
- c) constant
- d) no relation

**Answer- a**

13) Supply for foreign exchange varies \_\_\_\_\_ with exchange rate

- a) inversely
- b) directly
- c) constant
- d) negatively

**Answer- b**

14) Foreign exchange in a country is demanded for

- a) import of goods
- b) export of services
- c) import of capital
- d) export of goods

**Answer -a**

15) Demand for foreign currency is influenced primarily by

- a) size of export      b) size of import      c) volume of export      d) volume of import

**Answer -b**

16) The relative version of purchasing power parity considered to be \_\_\_\_\_ to absolute version.

- a) inferior      b) superior      c) equal      d) inferior and superior

**Answer -b**

17) Who has been authorized to issue licensed to those who are involved in foreign exchange transaction?

- a) RBI      b) government      c) private companies      d) WTO

**Answer -a**

18) Under the gold standard, the exchange rate determination between currencies is explained by

- a) Purchasing power parity      b) theory of one price  
c) Mint parity theory      d) balance of payment theory

**Answer- c**

19) The PPP theory consider \_\_\_\_\_ - group of commodities in both market

- a) Different      b) export      c) similar      d) import

**Answer -d**

20) \_\_\_\_\_ not the short-comings of PPP theory

- a) Ignores real determinants      b) considers capital transactions in international relations  
c) explains large volatility      d) explainsshort volatility

**Answer -a**

21) FERA stands for\_\_\_\_\_.

- a) Forward exchange rate act      b) future exchange rate act  
c) Foreign exchange rate act      d) none of these

**Answer -c**

22) Flexible exchange rate is determined by

- a) Demand and supply of dollar      b) RBI      c) both a & b      d) IMF

**Answer -a**

23) The main objectives of RBI's intervention in the Indian Foreign Exchange market is to

- a) Reduce inequalities      b) maintain stability      c) improve efficiency      d) improve equality

**Answer- b**

24) FERA was replaced by \_\_\_\_\_

- a) FEMA      b) FMCG      d) NEER      d) LERMS

**Answer- a**

25) What would cause a country's exchange rate to fall?

- a) Automatic adjustment of balance of payments      **b) Easy to borrow from world bank**  
c) Encourages exports      d) discourages exports

**Answer: a**

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