

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

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

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

7) _____ Balance of payments of records visible goods of trade.

- a) Balance of trade
- b) Capital account
- c) Saving and investment account
- d) Foreign Exchange

Answer: A

8) In BOP, total receipt must be equal to total

- a) income
- b) payment
- c) deficit
- d) surplus

Answer -B

9) Which among the following is termed as “fundamental disequilibrium” by IMF?

- A) Cyclical disequilibrium
- B) Long- run disequilibrium
- C) Short- run disequilibrium
- D) Structural disequilibrium

Answer- B

10) Which of the following is not a cause of the deficit in the balance of payments

- a) increase in imports
- b) fall in exports
- c) Globalization
- d) capital inflows

Answer –D

11) _____ round negotiations initiated the establishment of WTO.

- a) Uruguay
- b) Bali
- c) Urbane
- d) Chicago

Answer- A

12) Revaluation corrects

- a) deficit in account
- b) surplus in account
- c) surplus or deficit
- d) balance

Answer -B

13) Devaluation corrects

- a) deficit in account
- b) surplus in account
- c) surplus or deficit
- d) balance

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

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 license 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) explains short 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 c) 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
