

D 30278

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Name.....

Reg. No.....

**FIFTH SEMESTER (CUCBCSS—UG) DEGREE EXAMINATION
NOVEMBER 2022**

Economics

ECO 5B 10—INTERNATIONAL ECONOMICS

(2017—2018 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A (Objective Type Questions)

*Answer all twelve questions
Each question carries ½ mark.*

1. A fall in the value of a currency in terms of its exchange rate versus other currencies is :
 - a) Devaluation.
 - b) Appreciation.
 - c) Revaluation.
 - d) Depreciation.
2. NAFTA was established in :
 - a) 1991.
 - b) 1994.
 - c) 1995.
 - d) 1998.
3. Identify the exchange rate system followed in India :
 - a) Managed float system.
 - b) Fixed exchange rate system.
 - c) Flexible exchange rate system.
 - d) None of the above.
4. Trade balance is included in :
 - a) Current account of balance of payments.
 - b) Capital account of balance of payments.
 - c) Official reserves account of balance of payments.
 - d) Not included in balance of payments.

Turn over

5. Choose the correct statement/s related to currency appreciation :
- Appreciation of a currency takes place when the supply of the currency is lesser than its demand in the foreign exchange market.
 - Currency appreciation refers to the increase in the value of one currency with respect to other foreign currencies.
 - It is a feature associated with floating or managed floating exchange rate regimes.
 - All the above.
6. Hedging means:
- Covering foreign exchange risk.
 - Foreign exchange speculation.
 - Acceptance of foreign exchange risk.
 - Foreign exchange arbitrage.
7. Who among the following developed the Purchasing Power Parity Theory ?
- Marshall Lerner.
 - Gustav Cassel.
 - David Ricardo.
 - Adam Smith.
8. In case of H-O theorem, the most important cause of the difference in relative commodity prices and trade between nations is :
- Technology.
 - Innovation.
 - Factor endowments.
 - Foreign demand.
9. The market for foreign currencies is called :
- Capital market.
 - Foreign exchange market.
 - Stock market.
 - Goods market.
10. _____ is known as the Paper Gold.
- US Dollar.
 - Cheque.
 - Demand draft.
 - Special Drawing Right.
11. International trade is based on the idea that :
- Exports should exceed imports.
 - Imports should exceed exports.
 - Resources are less mobile internationally than are goods.
 - Resources are more mobile internationally than are goods.

12. Identify the correct statement/s related to Leontiefs paradox:

Statement I : Leontiefs paradox undermined the validity of the H-O theory.

Statement II: In 1953, Leontief found that the United States exported commodities that were more capital intensive than labour intensive

- a) Statement I alone is correct. b) Statement II alone is correct.
c) Statements I and II are correct. d) Statements I and II are incorrect.

(12 × ½ = 6 marks)

Part B (Very Short Answer Questions)

Answer any ten questions.

Each question carries 2 marks.

13. Define gains from trade.
14. What do you mean by international economics ?
15. What is meant by foreign exchange ?
16. What is currency convertibility ?
17. What is Tariff ?
18. Define Speculation.
19. What do you mean by anti-dumping duty ?
20. Differentiate between spot market and forward market.
21. Define Mercantilism.
22. What is meant by terms of trade ?
23. Distinguish between FDI and FPI.
24. What is meant by managed floating ?

(10 × 2 = 20 marks)

Part C (Short Essay Type Questions)

Answer any six questions.

Each question carries 5 marks.

25. Explain the meaning and functions of foreign exchange market.
26. Prepare a note on tariff and non-tariff trade barriers.

Turn over

27. What do you mean by hybrid exchange rate systems ?
28. Point out arguments for and against free trade.
29. Differentiate between balance of trade and balance of payments.
30. Examine Ricardian theory of comparative cost advantage.
31. *The principal function of the IMF is to supervise the international monetary system. Explain.*
32. Discuss the importance of international trade.

(6 × 5 = 30 marks)

Part D (Essay Type Questions)

Answer any two questions.

Each question carries 12 marks.

33. Explain Heckscher-Ohlin theorem of international trade and Leontief Paradox.
34. What is meant by BoP disequilibrium ? Explain various measures to correct BoP disequilibrium.
35. What is meant by economic integration ? Discuss any four types of economic integration.
36. Explain the Purchasing Power Parity theory of exchange rate determination.

(2 × 12 = 24 marks)