

## **Multiple choice questions**

### **INTERNATIONAL ECONOMICS-EC010301**

- 1.** *International trade contributes to*
  - a) Population
  - b) Inflation
  - c) Economy
  - d) Trade Barrier
  
- 2.** *Absolute cost advantage is propounded by*
  - a) J.S Mill
  - b) Adam Smith
  - c) David Ricardo
  - d) Samuelson
  
- 3.** *What implies that the international specialisation is not reversible and is an integral part of development*
  - a) Balance of payment
  - b) Tariff
  - c) Vent for surplus
  - d) Import tax
  
- 4.** *According to Ricardo, what determines trade between two countries?*
  - a) Comparative difference
  - b) Absolute difference
  - c) Gains from trade
  - d) PPC
  
- 5.** *Who introduced the concept of offer curve?*
  - a) Milton Friedman
  - b) Edgeworth and Marshall
  - c) John Maynard Keynes
  - d) Ricardo
  
- 6.** *Which among the following shows the trade off associated with allocating resources between the production of two goods?*
  - a) Isoquant
  - b) Offer Curve
  - c) Indifference curve
  - d) PPC
  
- 7.** *Bertil Ohlin received Nobel Prize in Economics for the factor proportions theory in which year*

- a) 1978
- b) 1977
- c) 1976
- d) 1975

**8.** *The theory propounded by Heckscher and Ohlin is known as*

- a) Heckscher-Ohlin Theory
- b) Factor endowment Theory
- c) Factor proportional Theory
- d) All of the above

**9.** *Who propounded Price Equalization theorem?*

- a) Paul Samuelson
- b) Alfred Marshall
- c) Irving Fisher
- d) Marx

**10 .** *Which among the following term is used in Leontief's paradox to prove H-O-T invalid*

- a) Factor intensity reversal
- b) Factor proportions
- c) Factor Endowment
- d) None of the above

**11.** Trade between two or more than two countries is termed as

- a) International Trade
- b) External Trade
- c) Unilateral Trade
- d) International trade

**12.** Which among the following refer to the tax imposed on import

- a) Important tax
- b) Tariffs
- c) Subsidies
- d) Important quotas

**13.** Which among the following was propounded by

- a. Theory of reciprocal demand
- b. Theory of absolute advantage
- c. Theory of comparative advantage
- d. Theory of mercantilism

14. The relative strength and elasticity of demand of the two trading countries for each other's product in terms of their own products is known as

- a) Comparative advantage
- b) Reciprocal demand
- c) Cost advantage
- d) Mercantilism

15. Which of the following equations clearly defines single factor terms of trade

- a.  $TC (Z_x/Z_m)$
- b.  $TS \times RX$
- c.  $(P_x/P_m)Z_x$
- d.  $(P_x/p_m)Q_x$

16. Which paradox is contradictory to H.O theory?

- a) Samuelson paradox
- b) Leontief's paradox
- c) Haberlar paradox
- d) Learner paradox

17. Which one of the following is not a part of reciprocal demand theory

- a) Full employment condition
- b) Perfect competition
- c) Imperfect competition
- d) Free foreign trade

18. What does The TOT measure?

- a) Income of one country compared to another
- b) The GDP of one country compared to another
- c) The quantity of exports of one country compared to another
- d) Export price compared to import price

19. International trade means

- a) Stimulation innovations
- b) Reduces cost of production
- c) Diversifies consumption
- d) All the above

20. Graphical representation of reciprocal demand is referred to

- a. Offer curve
- b. Demand curve

- c. Supply curve
- d. Contact curve

21. Which of the following assumptions of the Heckscher - Ohlin theory, when relaxed, require new trade theories

- a) Economics of scale
- b) Incomplete specialisation
- c) Similar tastes in both nations
- d) The existence of transportation costs

22. Domestic trade and international trade differ because of?

- a) Trade restrictions
- b) Immobility of factors
- c) Differ government policies
- d) All of the above

23. Government strategy regarding export and Import is called as

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

24. Which one of the following is called as international trade?

- a)** Trade between regions
- b)** Trade between countries
- c)** Trade between province
- d)** Both a and b

25. Which among the following made several rounds of bargaining through which tariff have been reduced

- a) GATT
- b) NAFTA
- c) IMF
- d) IBRD

26. The situation in which imported goods are more than exported goods?

- a) Trade deficit
- b) Trade barriers

- c) Trade surplus
- d) None

27. The trade that happens between countries can indeed be useful if the price ratios of products are

- a. Different
- b. Decreasing
- c. Undetermined
- d. Equal

28. Trade around two or more countries are called

- a) International trade
- b) External Trade
- c) International business
- d) Unilateral Trade

29. Theory of comparative advantage was presented by which among the following economists

- a. Adam Smith
- b. Ricardo
- c. Hicks
- d. Alfred Marshall

30. Who propounded the theory of Absolute Cost Advantage

- a) Ricardo
- b) Adam Smith
- c) Alfred Marshall
- d) J.S Mill

31. A tax imposed on Import is termed as

- a) Imported tax
- b) Tariffs
- c) Subsidies
- d) Import quotas

32. The process of selling of the products at a price less than on going price in the market is known as

- a) Quota
- b) Tariff
- c) Subsidies
- d) Dumping

33. Which among the following is the oldest international trade theory

- a) Country Similarly Theory
- b) Theory of Absolute Cost Advantage
- c) Product Life Cycle Theory
- d) Mercantilist Theory

34. Trade between two or more different countries is called as

- a) International trade
- b) External Trade
- c) Internal business
- d) Unitarian trade

35. Government policies about export and import is called

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

36. International trade contributes and increases the world

- a. population
- b. Inflation
- c. Economy
- d. Trade Barriers**

37. Market where in exchange rates and sell and buy and one's prices on is called the

- a) International capital markets
- b) International bond market
- c) Foreign exchange market
- d) None

38. What occurs once imported product are more than exported goods

- a) Trade deficit
- b) Trade barriers
- c) Trade surplus
- d) None

39. Trade between countries can indeed be useful if the price ratios of products are

- a) Different
- b) Decreasing
- c) Undetermined
- d) Equal

40. The margin for currency long term must be retained with the repository by

- a) The buyer
- b) The seller
- c) Both the buyer and seller
- d) None

41. Which one of the following is international trade?

- a) Trade between regions
- b) Trade between countries
- c) Trade between province
- d) Both a and c

42. Trade among 2 Nations can be helpful if the price ratios of products are

- a) Equal
- b) Decreasing
- c) Undetermined
- d) Different

43. In the given statement which among the following theories says firm's try to get in new market over time

- a) Theory of comparative advantage
- b) Product cycle theory
- c) Imperfect market Theory
- d) None of the above

44. Domestic trade and international trade differ because of

- a) Trade restrictions
- b) Immobility of factors
- c) Different government policies
- d) All of the above

45. Which Indian industry has least been affected by Import competition In recent years

- a) Automobiles
- b) Steel
- c) Radios and TVs
- d) Computer Software

46. International trade is based on the idea that

- a) Export should exceed import
- b) Import should exceed export
- c) resources are more mobile internationally than are good
- d) Resources are less mobile internationally than are good

47. International trade forces domestic firms to become more competitive in terms of

- a) Introduction of new product
- b) Product design and quality
- c) product price
- d) All of the above

48. Find the odd man out

- a) Demand conditions
- b) Government
- c) Related industries
- d) Factor Conditions

49. International trade in goods and services is sometime used as a substitute for all of the following Except

- a) International movement of capital
- b) International movement of factor
- c) International movement of technology
- d) Domestic Production of different goods and services

50. International trade and domestic trade Differ because of

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

51. Trade between two countries can be useful if cost ratios of goods are

- a) Undetermined
- b) Decreased
- c) Equal
- d) Different

52. Michael porter's diamond Model is related with

- a) International marketing

- b) International trade
- c) International financial repairing
- d) International finance

53. Which variable in porter's diamond model enhances firm ability to firm to produce cost affective and is of high quality

- a) Factor conditions
- b) Diamonds
- c) Related and supporting industry
- d) Firm strategy structure and rivaling

54. Michael porter proposed the diamond model in the book

- a) Competitive strategy
- b) On competition
- c) Competitive advantage of nations
- d) Cases in competitive strategy

55.The theory of Absolute advantage is given by

- a) David Ricardo
- b) Adam smith
- c) F. W Taylor
- d) Ohlin and Heckscher

56.The Theory of Relative factor endowments is given by

- a) David Ricardo
- b) Adam smith
- c) F. W Taylor
- d) Ohlin and Heckscher

57.The theory of comparative cost advantage is given by

- a) David Ricardo
- b) Adam smith
- c) F. W Taylor
- d) Ohlin and Heckscher

58.According to Smith "Vent for surplus" approach is applicable in

- a) Developed countries
- b) Underdeveloped countries
- c) Developing countries
- d) All of the above

59. According to comparative advantage theory international trade will not take place if:

- a) One country is efficient in production of both goods
- b) One country is inefficient in production of both goods
- c) Opportunity cost of two products at different in both countries
- d) Opportunity cost of two products are same in both countries

60. The opportunity cost theory of international trade given by

- a) Leontief
- b) J. S Mill
- c) Haberler
- d) Mead

61. Offer curve of the country determined by

- a) Elasticity of the demand of the product
- b) Elasticity of the supply of the product
- c) Elasticity of the income of the both the countries.
- d) Elasticity of substitution of the both countries

62. Which of the following is the assumption of H-O theory

- a) Demand conditions for both countries are identical
- b) Demand conditions for both countries are not identical
- c) H-O theory is based two country two commodity model
- d) H-O theory is based on labour theory of value

63. According to Leontief capital Rich country will

- a) Export capital intensive and import labour intensive
- b) Export labour intensive and import capital intensive
- c) Export both goods
- d) Import both goods

64. The formula  $p_x/p_m \cdot Q_x$  represent

- a) Net Barter TOT
- b) Gross Barter TOT

- c) Income TOT
- d) Single factor TOT

65. As the rate of exchange falls then

- a) Export will fall & Import will rise
- b) Export will rise & Import will rise
- c) Export will rise & Import will fall
- d) Export will fall & Import will fall

66. The terms of trade would be beneficial for those countries whose

- a) Offer curve is more elastic
- b) Offer curve is less elastic
- c) Offer curve is unitary elastic
- d) Offer curve is perfectly elastic

67. Hedging refers to

- a) Fixed exchange rate
- b) Flexible exchange rate
- c) It covers foreign exchange risk
- d) It is related with devaluation

68. Which of the following not related with WTO

- a) TRIPS
- b) TRIMS
- c) Supports world trade
- d) WTO is the agent of UN

69. A deficit in Balance of payment can be corrected by

- a) An increase in interest rate
- b) A decrease in interest rate
- c) Discouraging capital inflows

d) Restricting remittances

70. Zero sum game theory applies to

- a) Mercantilism
- b) Absolute cost advantage theory
- c) Factor equalization theorem
- d) New trade theory

71. The concept of opportunity cost is employed under

- a) Modern theory of trade
- b) Factor equalization theorem
- c) Comparative cost advantage theory
- d) Absolute cost advantage theory

72. Countries with abundant of capital should focus on

- a) Labour intensive good
- b) Capital intensive good
- c) Distribute between capital and labour intensive goods
- d) Importing more machinery

73. Economies of scale and net work effects resulting in exports of goods is related to

- a) New trade theory
- b) Factor equalization theorem
- c) Comparative cost advantage
- d) The Heckscher - Ohlin theory

74. First mover advantage theory is related to

- a) Absolute advantage theory
- b) Comparative cost advantage
- c) New trade theory
- d) Modern theory of trade

75. Which theory considers bullion as a part of the international trade

- a) Modern theory of trade
- b) Factor equalization theorem
- c) Comparative cost advantage
- d) Mercantilism

76. Prices of goods and prices of factor are equalized under

- a) Modern theory of international trade
- b) Factor equalization theorem
- c) New trade theory
- d) Absolute advantage theory

77. Factor abundance is considered to be a part of which international trade theory

- a) Heckscher Ohlin theory of international trade
- b) Comparative cost advantage
- c) New trade theory
- d) Factor equalization theorem

78. Goods are exchanged with in the country then it is called

- a) Internal trade
- b) Modern theory of trade
- c) New trade theory
- d) International trade

79. Money cost is considered by

- a) Modern theory of trade
- b) Comparative cost advantage
- c) New trade theory
- d) Factor equalization theorem

80. Which exchange rate would most likely be used for a transaction that will occur at a future date?

- a. Forward
- b. Current Account
- c. Future rate
- d. Present value rate

81. A favourable Balance of Trade position of a country implies

- a. imports are greater than exports
- b. exports are greater than imports
- c. both imports and exports are equal
- d. rising imports and falling exports

82: Special Economic Zone [SEZ] concept was first introduced in which nation

- a. China
- b. Japan
- c. India
- d. South Korea

83: Which one of the following does not deal with export promotion?

- a. Trade Development Authority
- b. Minerals and Metals Trading Corporation
- c. Cooperative Marketing Societies
- d. State Trading Corporations

84: A trade policy consists of

- a. Export-Import Policy
- b. Licensing Policy
- c. Foreign exchange
- d. Policy Balance of Payment Policy

85. Indian Institute of Foreign Trade is located at

- a. New Delhi
- b. Hyderabad
- c. Mumbai
- d. Ahmedabad

86. Theoretically, trade between two countries takes place on account of

- a. difference in costs
- b. scarcity of goods
- c. comparative difference in costs
- d. need for exports

87 .The major aim of devaluation is aimed at

- a. encourage imports
- b. encourage exports

- c. encourage both imports and exports
- d. discourage both exports and imports

88. A country's Balance of Trade is unfavourable when

- a. exports exceed imports
- b. imports exceed exports
- c. terms of trade become unfavourable
- d. Imports grow in proportion to exports

89. The biggest item of India's imports is

- a. iron ore
- b. mica
- c. petroleum products
- d. gems and jewellery

90. What is approximately the share of India in global agri-trade, in percentage terms?

- a. 2.5
- b. 4.5
- c. 8.5
- d. 9

91. Trade in different products refer to

- a) Intra industry trade
- b) Inter industry trade
- c) Trade based on economics of scale
- d) None of the above

92. The opportunity cost theory assumes that

- a. Labour is the only factor of production
- b. The price or the cost of commodity can be determined by the labour content in it
- c. Labour is homogeneous
- d. None of the above

93. If a nation gains from the trade its constitution point is

- a) On the production possible Frontier
- b) Inside the PPC
- c) Above of the PPC
- d) Any of the above

94. Opportunity cost theory

- a. Is anti thesis of Ricardian theory
- b. Is synthesis of Ricardian and Smith theory
- c. Is reconstruction of the Ricardian theory in terms of alternative cost
- d. None of the above

95. The paradox that growth can make a country worse off is termed as

- a) Rybezinsky theorem
- b) Immiserising growth
- c) Triffin dilemma
- d) Leontief's paradox

96. The Absolute advantage theory indicates that a country should engage in the production and the exchange of those commodities where it has

- a) A comparative advantage
- b) An absolute advantage
- c) Relative factor endowment
- d) Greater opportunity cost

97. The ability to produce more of a good or service than competitors, using the same amount is

- a. A comparative advantage
- b. An absolute advantage
- c. Relative factor endowment
- d. Greater opportunity cost

98. A key effect of devaluation is that it

- a) Makes the domestic currency Cheaper relative to other currencies

- b) Makes the domestic currency dearer relative to other currencies
- c) Makes the foreign currency Cheaper relative to other currencies
- d) Leaves the relative value unchanged

99. When tariff are imposed

- a) The prices of imports would increase to the extent of tariff
- b) The prices of imports would decrease to the extent of tariff
- c) The prices of imports would increase by a multiple of tariff
- d) The prices of imports would decrease by a multiple of tariff

100. Net exports equal:

- a. Exports  $\times$  Imports
- b. Exports+ Imports
- c. Exports - Imports
- d. Export of service only

## Answer Key

1.c	21.a	41.b	61.a	81.a
2.b	22.b	42.d	62.a	82.a
3.c	23.a	43.d	63.b	83.d
4.a	24.b	44.d	64.c	84.a
5.b	25.a	45.d	65.c	85.a
6.d	26.a	46.d	66.b	86.c
7.b	27.a	47.d	67.c	87.b
8.c	28.a	48.b	68.d	88.a
9.a	29.b	49.d	69.a	89.c
10.a	30.b	50.d	70.a	90.a
11.d	31.b	51.d	71.c	91.a
12.b	32.d	52.b	72.b	92.d
13.a	33.d	53.c	73.a	93.c
14.b	34.a	54.c	74.c	94.c
15.c	35.a	55.b	75.d	95..b
16.b	36.c	56.d	76.b	96.b
17.c	37.c	57.a	77.a	97.b
18.d	38.a	58.b	78.a	98.a
19.d	39.a	59.d	79.a	99.a
20.a	40.c	60.c	80.a	100.c