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Maximum Weight : 5

MCQ—INTERNATIONAL ECONOMICS

Section II

[TO BE ATTACHED TO THE MAIN ANSWER-BOOK]

UG CBCSS INTERNAL EXAMINATION, JUNE 2026

DO NOT WRITE YOUR REGISTER NUMBER OR NAME ANYWHERE IN SECTION II OF THE QUESTION PAPER

Answer all questions.

All questions carry equal weight.

Put a tick mark [✓] in the column against the correct answer.

1. Trade In differentiated products refers to :

(A) Intra industry trade.

☐

(B) Inter industry trade.

☐

(C) Trade based on economies of scale.

☐

(D) None of the above.

☐

2. The opportunity cost theory assumes that :

(A) Labour is the only factor of production.

☐

(B) The price or the cost of a commodity can be determined by the labour content in it.

☐

(C) Labour is homogeneous.

☐

(D) None of the above.

☐

3. Given below is a table showing the maximum amount of wheat and cloth that the U K and U S could produce if they fully utilize all the factors of production with the best technology available indicate the comparative advantage of U K and U S. U K U S Bushels of wheat 50 120 Meters of Cloth 150 80.

(A) US have comparative advantage in cloth and U K have comparative advantage in wheat.

☐

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- (B) U K have comparative advantage in cloth and US have comparative advantage in wheat. ☐
- (C) US have comparative advantage in cloth and wheat. ☐
- (D) UK have comparative advantage in cloth and wheat. ☐
4. Leontiff paradox refers to the result that the U S.
- (A) Exports are more capital intensive than imports. ☐
- (B) Exports are more capital intensive than U S import substitutes. ☐
- (C) Imports are more capital intensive than U S exports. ☐
- (D) Import substitutes are more capital intensive than U S Exports. ☐
5. Hedging refers to :
- (A) Acceptance of Foreign exchange risk. ☐
- (B) Covering Foreign exchange risk. ☐
- (C) Foreign exchange Speculation. ☐
- (D) Foreign exchange arbitrage. ☐
6. If $\{K\} > \{L\}$ when K = capital and L = labour, and A and B are countries then.
- (A) Country A is labour abundant. ☐
- (B) Country A is capital abundant. ☐
- (C) Country B is labour abundant. ☐
- (D) Country B is capital abundant. ☐
7. In Autarchy a nation's PPC also shows its.
- | | | | |
|---------------------------|--------------------------|-----------------------|--------------------------|
| (A) Consumption function. | ☐ | (B) Sales frontier. | ☐ |
| (C) Profit frontier. | ☐ | (D) Factor endowment. | ☐ |





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8. The amount of commodity a nation is willing to give up to get an additional unit of another commodity and still remain on the same indifference curve is known as :

(A) Marginal rate of substitution.

☐

(B) Marginal Rate of transformation.

☐

(C) Marginal product.

☐

(D) None of the above.

☐

9. Which among the following is NOT an assumption of H-O Theorem.

(A) There are two countries involved. Each country has two factors (labour and capital) and produce two commodities either labour intensively or capital intensively.

☐

(B) There is no perfect competition in both commodity and factor markets. All production functions are hertogenious. Production function is subject to increasing or decreasing returns to scale.

☐

(C) There are no transportation costs.

☐

(D) Factors are freely mobile within a country but immobile between countries.

☐

10. The HO theory deals with which type of trade ?

(A) Intra Industry trade.

☐

(B) Trade based on Economies of scale.

☐

(C) Trade based on imitation gaps and product cycles.

☐

(D) Inter industry tarde.

☐

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11. Which among the following are the major limitations of the H O theorem ?

(A) It explains only a part of the world trade as it ignores trade in differentiated products.

☐

(B) Factor endowment is not the sole factor influencing commodity price and international trade.

☐

(C) The theory is empirically proved wrong in the case of U S Economy.

☐

(D) All the above.

☐

12. ——— states that at constant commodity prices, an increase in the quantity of one factor increases the production of the commodity intensive in this factor and reduces the output of the other commodity which is intensive in the constant factor.

(A) Theory of comparative advantage.

☐

(B) Stolper-Samuelson Theorem.

☐

(C) Rybczynski Theorem ; and.

☐

(D) Leontiff paradox.

☐

13. The foreign exchange rate is NOT :

(A) The price of one currency expresses in terms of another.

☐

(B) Rate at which of one commodity expresses in terms of another.

☐

(C) The value of one currency in terms of another.

☐

(D) Fixed for ever.

☐



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14. Distinguish between autonomous and accommodating items in the balance of payments.

(A) All transactions in the current and capital account are called automatic transactions. Accommodating items are transactions that come under the official reserve account.

☐

(B) Transactions are said to be autonomous if their value is determined independently of the balance of payments. Accommodating items are determined by the net consequences of the autonomous items.

☐

(C) They take place for business or private motive. Accommodating items are required to balance international transactions.

☐

(D) All the above.

☐

15. Which among the following is NOT a measure to correct the balance of payment disequilibrium ?

(A) Devaluation.

☐

(B) Deflation.

☐

(C) Revaluation.

☐

(D) None of the above.

☐

16. When tariffs 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 multiplier of tariff.

☐

(D) The prices of imports would decrease by a multiplier of tariff.

☐

17. Which of the following statement is true '?

(A) A Depreciation is likely to correct a deficit in BOP when the demand for and supply of foreign exchange is more elastic.

☐

(B) A Depreciation is likely to correct a deficit in BOP when the demand for and supply of foreign exchange is less elastic.

☐

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(C) A Depreciation is likely to correct a deficit in BOP when the demand for foreign exchange is more elastic and the supply of foreign exchange is less elastic

☐

(D) None of the above.

☐

18. Modern trade theory is developed by :

(A) Adam Smith.

☐

(B) Heckscher and Ohlin.

☐

(C) David Ricardo.

☐

(D) Karl Marx.

☐

19. Principles of Political Economy and Taxation is the book of :

(A) Adam Smith.

☐

(B) Heckscher and Ohlin.

☐

(C) David Ricardo.

☐

(D) Karl Marx.

☐

20. Haberler reconstituted comparative advantage theory on the basis of _____.

(A) Opportunity cost theory.

☐

(B) Labour theory of value.

☐

(C) Money.

☐

(D) None of the above.

☐

No. of MCQs attempted

Weight Scored

(To be entered by the examiner)

No. of MCQs not attempted

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THE MAIN ANSWER-BOOK**

