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Reg. No.....

Name.....

B.A. DEGREE (C.B.C.S.S.) EXAMINATION, JUNE 2026

Sixth Semester

Economics

Core Course—INTERNATIONAL ECONOMICS

(2014—2016 Admissions—Mercy Chance)

[For Private Registration Candidates]

Time : Three Hours

Maximum Weight : 25

Instructions : *This question paper contains two sections. Answer Section I questions in the answer book provided. Section II Internal Examination questions must be answered in the question paper itself. Follow the detailed instructions given under Section II.*

Section I

PART A (OBJECTIVE TYPE QUESTIONS)

Answer all questions.

Each bunch of four questions carries a weight of 1.

I. Choose the correct answer :

- 1 The Heckscher-Ohlin theory explains international trade mainly in terms of differences in :
(A) Technology. (B) Factor endowments.
(C) Money supply. (D) Government expenditure.
- 2 Ricardo's theory of comparative advantage assumes that differences in comparative costs arise primarily because of differences in :
(A) Factor endowments. (B) Labour productivity.
(C) Capital mobility. (D) Government policies.
- 3 The opportunity cost theory of trade is particularly associated with :
(A) Haberler. (B) Marshall.
(C) Keynes. (D) Ohlin.

Turn over





G 3519

- 4 The trade balance refers to the difference between :
- (A) Exports and imports of goods.
 - (B) Capital inflows and outflows.
 - (C) Government revenue and expenditure.
 - (D) Savings and investment.
- II. 5 Which of the following is a component of the current account ?
- (A) Portfolio investment.
 - (B) Foreign loans.
 - (C) Remittances.
 - (D) Foreign exchange reserves.
- 6 Which of the following is a monetary measure for correcting BOP disequilibrium ?
- (A) Devaluation.
 - (B) Import quota.
 - (C) Export subsidy.
 - (D) Import licensing.
- 7 Under the absorption approach, a current account deficit occurs when :
- (A) Income exceeds expenditure.
 - (B) Domestic absorption exceeds income.
 - (C) Exports exceed imports.
 - (D) Savings exceed investment.
- 8 The Marshall-Lerner condition states that devaluation improves the trade balance if :
- (A) The sum of export and import demand elasticities is greater than one.
 - (B) Both elasticities are zero.
 - (C) The sum is equal to zero.
 - (D) Imports are perfectly inelastic.
- III. 9 A depreciation of domestic currency generally makes exports :
- (A) More expensive to foreigners.
 - (B) Cheaper to foreigners.
 - (C) Unaffected.
 - (D) Impossible.





G 3519

- 10 Under a flexible exchange rate system, the exchange rate is primarily determined by :
- (A) Government decree.
 - (B) Demand and supply of foreign exchange.
 - (C) Gold reserves alone.
 - (D) IMF decisions
- 11 Purchasing Power Parity theory is primarily associated with :
- (A) Gustav Cassel. (B) David Ricardo.
 - (C) J.M. Keynes. (D) Adam Smith.
- 12 According to absolute purchasing power parity, exchange rates are determined by :
- (A) Relative price levels.
 - (B) Relative interest rates only.
 - (C) Relative unemployment rates.
 - (D) Relative population.
- IV. 13 If domestic inflation is persistently higher than foreign inflation, purchasing power parity predicts that the domestic currency will tend to :
- (A) Appreciate.
 - (B) Depreciate.
 - (C) Remain permanently fixed.
 - (D) Become convertible into gold.
- 14 The effective rate of protection measures the protection provided to :
- (A) Gross output only. (B) Domestic value added.
 - (C) Imports only. (D) Exports only.
- 15 The Bretton Woods Conference led to the establishment of :
- (A) IMF and IBRD. (B) WTO and UNCTAD.
 - (C) OECD and WTO. (D) ASEAN and IMF.

Turn over





G 3519

16 Which sequence correctly represents the evolution of the international monetary system ?

- (A) Bretton Woods → Gold Standard → Flexible rates.
- (B) Gold Standard → Bretton Woods → Generalized flexible exchange rates.
- (C) WTO → Bretton Woods → Gold Standard.
- (D) IMF → Gold Standard → Bretton Woods.

(4 × 1 = 4)

PART B (SHORT ANSWER QUESTIONS)

*Write a short note on any **five** questions, not exceeding 50 words each.*

Each question carries a weight of 1.

- 17 Compare internal and international trade.
- 18 Describe community indifference curve.
- 19 Define offer curves.
- 20 Briefly describe BOP.
- 21 Differentiate forward rate and spot rate.
- 22 Compare hedging and speculation.
- 23 Describe tariffs.
- 24 Write briefly on Bretton Woods systems.

(5 × 1 = 5)

PART C (SHORT ESSAYS)

*Write short essays on any **four** questions, not exceeding 150 words each.*

Each question carries a weight of 2.

- 25 Describe terms of trade. Explain various types of terms of trade.
- 26 Critically examine H-O theorem of international trade.
- 27 Define Devaluation. Examine Marshall-Lerner condition of devaluation.
- 28 Compare flexible and fixed exchange rate systems with its merits and drawbacks.





G 3519

29 Examine the arguments for against on free trade and protection.

30 Explain PPP theory of exchange rate determination.

(4 × 2 = 8)

Part D (LONG ESSAYS)

*Answer any **two** questions, not exceeding 450 words each.*

Each question carries a weight of 4.

31 Examine comparative cost advantage theory of international trade.

32 Describe BOP disequilibrium. Examine various measures to correct BOP disequilibrium.

33 Explain the history, objectives and functions of WTO. Discuss India and WTO.

(2 × 4 = 8)

