

SHETH T.J. EDUCATION SOCIETY'S
SHETH NKTT COLLEGE OF COMMERCE AND SHETH JTT COLLEGE OF
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T. Y. B. A – Semester -VI - International Economics

Multiple Choice Sample Questions of International Economics

1. In International trade
 - a. Factors of production move between the countries
 - b. Both factors and commodities move between the countries
 - c. Commodities move between the countries
 - d. Factors and commodities move outside country
2. _____ trade means trade within the geographical boundaries of nation.
 - a. Internal
 - b. External
 - c. Local
 - d. Foreign
3. _____ trade means trade across the boundaries of country
 - a. Internal
 - b. External
 - c. Local
 - d. Foreign
4. The classical theory of international trade was presented by _____.
 - a. David ricardo
 - b. Hecksher – ohlin
 - c. J M Keynes
 - d. Harrod Domar
5. Ricardian theory measures comparative cost in terms of _____.
 - a. Labour hours
 - b. Amount
 - c. Input cost
 - d. Output cost
6. Comparative cost theory is a static theory because according to it
 - a. There is no qualitative and quantitative change in inputs
 - b. Labour is homogeneous within the country
 - c. There is no transport cost
 - d. Transport cost is present
7. The Ricardian theory is based on the measurement of cost in terms of labour only.....
 - a. but not in terms of money.
 - b. but not in physical terms.
 - c. But neither money nor physical terms
 - d. In terms of both labour and capital
8. An international trade consumption level of participating countries.

- a. Increases
 - b. Decreases
 - c. Stabilizes
 - d. Does not affect
9. Deterioration in terms of trade for developing countries due to use of synthetic substitutes by advanced countries has resulted in to _____
- a. Decline in demand for developing countries exports
 - b. rise in demand for developing countries exports
 - c. Constant demand for developing countries exports
 - d. Fall in demand for developing countries import
10. Domestic trade is carried out in _____ currencies whereas international trade involves _____ currencies.
- a. Same, different
 - b. Different , same
 - c. Same , same
 - d. Different, different
11. _____ country will export capital intensive goods.
- a. Capital surplus
 - b. Labour surplus
 - c. Technology rich
 - d. Financially rich
12. An international trade increases welfare of countries.
- a. Exporting
 - b. Importing
 - c. Both importing and exporting
 - d. Neither exporting nor importing country
13. Factors of production- labour and capital are _____
- a. more mobile with in country where as their mobility is highly restricted between countries.
 - b. less mobile with in country where as their mobility is very high between countries.
 - c. Mobility is high both within and between countries
 - d. Mobility is low both within and between countries
14. The international trade theory of Absolute difference in cost is given by _____
- a. Adam Smith
 - b. Harrod Domar
 - c. Heckscher- Ohlin
 - d. Solow
15. According to Ricardo, the essence of international trade is not the _____ difference in cost but _____ difference in cost.
- a. Absolute, comparative
 - b. Comparative, Absolute
 - c. Absolute, constant
 - d. Constant, absolute

Module –II Modern theories in International trade

16. Thetheory is based on mutual interdependence of commodity and factor market.
- Heckscher-Ohlin
 - Adam Smith
 - Ricardo
 - Samuelson
17. A reciprocal demand is _____
- Mutual demand of two countries to each other's good
 - Mutual supply
 - Price of export and import
 - Derived demand
18. An offer curve _____
- Differs from usual demand curve only
 - Differs from usual supply curve only
 - Same as usual demand curve
 - Differs from both demand and supply curves
19. _____ is the strength and elasticity of demand of one country's demand for the other country's commodity in exchange for its commodity at different terms of trade
- Reciprocal demand
 - Individual demand
 - Market demand
 - Total demand
20. _____ represented the concept of reciprocal demand in graphical terms through the use of offer curves,
- Marshall and Edgeworth
 - Pigou
 - Samuelson
 - Haberler
21. According to Heckscher- ohlin theory, country 1 is labour abundant in physical terms if, _____
- $TK_1/TL_1 < TK_2/TL_2$
 - $TK_1/TL_1 > TK_2/TL_2$
 - $TK_1/TL_1 = TK_2/TL_2$
 - $TK_1/TL_1 = TL_2/TK_2$
22. A nation is capital abundant if the relative price of capital is _____ in it than in the other country
- Higher
 - Lower
 - Similar
 - zero
23. The factor intensity is measured interms.
- Relative
 - Absolute

- c. Neutral
- d. Constant

24. The factor abundance results in of production.

- a. low cost
- b. high cost
- c. marginal cost
- d. fixed cost

25. Heckscher-Ohlin theory.

- a. cannot be applied to more than Two countries
- b. cannot be applied to more than two commodities
- c. Can be extended to many commodities and many countries
- d. Cannot be extended to many commodities and many countries

26. According to Ohlin, _____ movements in bringing about factor price equalization.

- a. Factor movement acts as a substitute for commodity
- b. Commodity movement acts as a substitute for factor
- c. Factor movement acts as a substitute for product
- d. Product movement acts as a substitute for factor

27. According to Stolper-Samuelson theory, a rise in the price of a commodity increases the real reward of _____ factor decreases.

- a. Abundant factor used in the production of that commodity and real reward of scarce
- b. scarce factor used in the production of that commodity and real reward of abundant
- c. Abundant factor used in the production of that commodity and real reward of abundant
- d. scarce factor used in the production of that commodity and real reward of scarce

Module- III- Importance of trade and recent trends

28. Foreign direct Investment can be divided into Greenfield investment and _____

- a. Mergers and acquisitions
- b. Global supply chain
- c. BPO
- a. KPO

29. The value added at each stage of production in global supply chain is shown by _____

- a. Demand curve
- b. Supply curve
- c. Smile curve
- d. Production function

30. Global supply chain _____
- Encourages competition
 - Discourages competition
 - Does not have any effect on competition
 - Encourages protection
31. A global supply chain is _____ network, when a company purchases or uses goods or services from overseas
- Domestic
 - Worldwide
 - Internal
 - State wise
32. FDI in structurally weak and vulnerable economies _____
- Increases
 - Remains constant
 - Remains fragile
 - Will have no effect
33. The FDI effect on host country _____
- Provides capital
 - No transfer of technology
 - Can not transfer managerial and marketing expertise
 - Can not provide capital
34. FDI affects Consumers of host country _____
- By benefiting them from increased choice and better-quality products
 - Adversely
 - No effect on consumers
 - Control of raw material
35. The second unbundling shifted the focus of globalization from _____
- Sectors to stages of production
 - Stages of production to sectors
 - Smile curve
 - Demand chain
36. Monopolistic competition and the trade pattern model assumes _____
- A world economy consisting of two countries
 - A world economy consisting of only one country
 - A world economy consisting of infinite countries
 - A world economy consisting of many countries
37. During the stage of _____ the organization's philosophy about the role of outsourcing in its activities gets developed.
- Strategic thinking
 - Evaluation and selection
 - Contract development
 - Execution

38. When the outsource services provider is hired not only for performing particular business process but also to provide expertise around it, it is called as _____
- Knowledge process outsourcing
 - Vertical outsourcing
 - Horizontal outsourcing
 - Front office outsourcing
39. ____ Business process outsourcing are function-specific and spread across different industry domain such as data processing services, payroll processing services etc.
- Horizontal
 - Vertical
 - Offshore
 - Nearshore

Module IV Trade policy and Regionalism

40. The commercial trade policy governs a country's trade.
- Internal
 - Regional
 - International
 - Interstate
41. An Infant Industry argument promotes the idea of from foreign competition.
- Rejection
 - Protection
 - Cooperation
 - Free trade
42. The exchange controls imports.
- Discourage
 - Encourage
 - Do not affect
 - Creates
43. A regional integration cross-border investment flows between member nations.
- Encourages
 - Discourages
 - Does not affect
 - Reduces
44. The Protectionist Policy _____
- Encourages international specialization
 - Promotes global trade

- c. Prevents dumping
 - d. Reduces government's interference in trade
45. Tariff is expressed as either a specific or an ad valorem rate, whichever is higher, is known as _____
- a. General Tariff
 - b. Mixed Tariff,
 - c. Compound Tariff,
 - d. Countervailing Tariff
46. . The is based on some principles enshrined in the treaty of Amity and Cooperation in South Asia.
- a. EU
 - b. ASEAN
 - c. SAARC
 - d. NAFTA
47. The Protectionist Policy results in allocation of resources.
- a. Inefficient
 - b. Efficient
 - c. Non interference
 - d. No allocation
48. The import quotas are than tariffs.
- a. less effective
 - b. not effective
 - c. more effective
 - d. equally effective
49. An arbitrage on import tariffs are for an exporter to a customs union.
- a. not possible
 - b. possible
 - c. constant
 - d. fixed
50. _____, in simple is a payment to a firm or individual that ships a good abroad.
- a. Tariff
 - b. Quotas
 - c. Voluntary import restriction
 - d. Export subsidy
