

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 Questions of International Economics

Module -I - Introduction

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. None of the above
2. 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. None of these
3. The Comparative Cost theory of international trade can be extended to countries.
 - a. more than two
 - b. two
 - c. one
 - d. none of the above
4. The Comparative Cost theory of international trade is based on _____.
 - a. Demand
 - b. Cost of supply and ignores demand.
 - c. Cost of and ignores supply.
 - d. None of the above
5. 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. None of the above
6. The Comparative Cost theory of international trade is not applicable to the real world.
 - a. True
 - b. False
 - c. Can't say
 - d. Either (a) or (b)

7. According to Ricardo, international trade is useful under _____
a) Absolute cost, b) comparative cost, c) equal difference in cost, d) Zero cost
8. Ricardian theory assumes perfect mobility of labour _____
a) Within the country, b) between the countries, c) both within and between the countries, d) none of these.
9. International trade _____
a) Stimulates innovations
b) Reduces cost of production
c) Diversifies consumption
d) All the above
10. Cultural changes due to international trade are
a. Positive
b. Negative
c. Positive and negative both
d. Always negative
11. An international trade consumption level of participating countries.
a. Increases
b. Decreases
c. Stabilizes
d. Does not affect
12. An international trade increases welfare of countries.
a. Exporting
b. Importing
c. Both importing and exporting
d. Any of these
13. Participation in international trade _____ production and economic welfare.
a. Maximizes
b. Minimizes
c. Keeps constant
d. None of the above
14. 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. None of the above
15. 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. None of the above
16. Domestic trade is carried out in ____ currencies whereas international trade involves ____ currencies.
a. Same, different
b. Different , same
c. Same , same
d. Different, different
17. ____ gave the international trade theory of Absolute difference in cost
a. Adam Smith
b. David Ricardo
c. Heckscher- Ohlin
d. None of the above
18. Basic assumption of Adam smith 's Absolutes cost advantage theory is ____
a. 2 country * 2 commodity * 1 factor of production
b. 2 country * 2 commodity * 2 factor of production
c. 2 country * 1 commodity * 1 factor of production
d. None of these
19. Cost in measured interms of ____ in Adam Smith's theory of Absolute cost advantage
a. Labour hours
b. Capital
c. Both
d. None of these
20. Ricardian theory assumes ____
a. Free trade policy
b. Policy of protection
c. Both a and b
d. None of these
21. 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. Both a and b
d. None of these
22. According to Ricardian theory of international trade, a country specializes in the production of a commodity where its ____ is larger
a. Absolute advantage
b. Comparative advantage
c. Equal cost advantage
d. None of the above
23. The base of international trade is ____ according to Ricardo
a. Comparative difference in cost

- b. Absolute difference in cost
 - c. Equal difference in cost
 - d. None of these
24. The Ricardian theory of comparative cost is criticized as being _____
- a. Static theory
 - b. Dynamic theory
 - c. Neutral theory
 - d. None of the above
25. The Ricardian theory of comparative cost believes in _____
- a. Complete specialization
 - b. Incomplete specialization
 - c. Partial specialization
 - d. None of these

Module II- Modern theories in International trade

1. Thetheory is based on mutual interdependence of commodity and factor market.
 - a. Heckscher-Ohlin
 - b. Adam Smith
 - c. Ricardo
 - d. Samuelson
2. The factor intensity is measured interms.
 - a. Relative
 - b. Absolute
 - c. Neither (a) nor (b)
 - d. Either (a) or (b)
3. The factor abundance results in of production.
 - a. low cost
 - b. high cost
 - c. marginal cost
 - d. fixed cost
4. A reciprocal demand does not affect terms of trade.
 - a. True
 - b. False
 - c. Can't say
 - d. Either (a) or (b)
5. Heckscher-Ohlin theory is about _____
 - a. inter-regional trade,
 - b. international trade,
 - c. domestic trade,
 - d. a and b both

6. According to Heckscher-Ohlin theory the international trade takes place due to the difference in
 - a. Labour efficiency
 - b. Better technology
 - c. Difference in product price
 - d. None of these

7. Heckscher-Ohlin theory cannot be applied to more than
 - a. Two countries
 - b. Two commodities
 - c. Can be extended to many commodities and many countries
 - d. None of these

8. According to Heckscher-Ohlin theory, product price depends on _____.
 - a. Factor intensity
 - b. factor abundance,
 - c. factor cost,
 - d. all of these

9. A reciprocal demand is _____.
 - a. Mutual demand of two countries to each other's good
 - b. Mutual supply
 - c. Price of export and import
 - d. Derived demand

10. An offer curve _____.
 - a. Differs from usual demand curve only
 - b. Differs from usual supply curve only
 - c. Same as usual demand curve
 - d. Differs from both demand and supply curves

11. The theory of reciprocal demand is criticized on the basis of
 - a. Unrealistic assumptions
 - b. Increasing returns to scale
 - c. Multiple commodities
 - d. None of the above

12. The offer curves are _____.
 - a. Demand curves
 - b. Supply curves
 - c. Demand and Supply curves
 - d. None of these

13. _____ 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
 - a. Reciprocal demand
 - b. Individual demand
 - c. Market demand
 - d. None of these

14. _____ represented the concept of reciprocal demand in graphical terms through the use of offer curves,
- Marshall and Edgeworth
 - Pigou
 - Samuelson
 - Haberler
15. According to Heckscher- ohlin theory, country 1 is capital abundant in physical terms if, _____
- $TK1/TL1 < TK2/TL2$
 - $TK1/TL1 > TK2/TL2$
 - $TK1/TL1 = TK2/TL2$
 - None of these
16. According to Heckscher- ohlin theory, country 1 is capital abundant in terms of factor price if, _____
- $PK1/PL1 < PK2/PL2$
 - $PK1/PL1 > PK2/PL2$
 - $PK1/PL1 = PK2/PL2$
 - None of these
17. Factor intensity according to Heckscher- ohlin theory is measured by the _____
- Factor ratios
 - Absolute units
 - Equal units
 - None of these
18. According to Ohlin, _____ movement acts as a substitute for _____ movements in bringing about factor price equalization.
- Factor, commodity
 - Commodity, factor
 - Factor, product
 - None of these
19. According to Stolper-samuelson theory, a rise in the price of a commodity increases the real reward of _____ factor used in the production of that commodity and real reward of _____ factor decreases.
- Abundant, scarce
 - scarce , abundant
 - Abundant, abundant
 - scarce, scarce
20. Under free trade the Stolper – samuelson theorem concluded that owners of _____ factor will receive more reward as trade expands
- Abundant
 - Scarce
 - Both
 - None of these

21. If more _____ , the technical progress is called as labour saving
- Capital is used per unit of labour
 - Labour is used per unit of capital
 - Both a and b
 - None of these
22. If more _____ , the technical progress is called as capital saving
- Capital is used per unit of labour
 - Labour is used per unit of capital
 - Both a and b
 - None of these
23. Leontif paradox stated that USA exported ____ goods and imported ____ goods
- Labour intensive , capital intensive
 - capital intensive , labour intensive
 - Labour intensive , labour intensive
 - capital intensive , capital intensive
24. ____ the population of the country, the stronger will be demand for goods produced by the other country.
- Greater
 - Smaller
 - Constant
 - None of these
25. ____ the country, more intense will be its demand for other country's products.
- Larger
 - smaller
 - both a and b
 - none of these

Module- III- Importance of trade and recent trends

- Foreign direct Investment can be divided into Greenfield investment and ____
 - Mergers and acquisitions
 - Global supply chain
 - BPO
 - None of these
- Usually, the firms have engaged in FDI to achieve _____ objective/s
 - To obtain control of a needed raw material
 - Avoid tariff and other restrictions
 - To take advantage of government subsidy
 - All of these
- The benefits of FDI to host country are____
 - Provides capital
 - Transfer of technology

- c. Transfer managerial and marketing expertise
 - d. All of these
4. FDI affects Consumers of host country _____
- a. By benefiting them from increased choice and better-quality products
 - b. Adversely
 - c. No effect
 - d. None of the above
5. _____ has been the largest source of external finance for developing economies.
- a. Fees
 - b. FDI
 - c. Fines
 - d. None of these
6. A network across the border between a company and its suppliers to produce and distribute a specific product is _____
- a. Domestic supply chain
 - b. Global supply chain
 - c. Both a and b
 - d. None of these
7. The second unbundling shifted the focus of globalization from _____
- a. Sectors to stages of production
 - b. Stages of production to sectors
 - c. Both a and b
 - d. None of these
8. 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. None of these
9. Global supply chain _____
- a. Encourages competition
 - b. Discourages competition
 - c. Both a and b
 - d. None of these
10. Global supply chain for Participant companies affects by _____
- a. Cost reduction
 - b. Cost rise
 - c. No change in cost
 - d. None of these
11. Challenges to global supply chain include _____
- a. Differences in time zones

- b. Accountability and compliance
 - c. Language barriers
 - d. All of these
12. A global supply chain is ____ network, when a company purchases or uses goods or services from overseas
- a. Domestic
 - b. Worldwide
 - c. Both a and b
 - d. None of these
13. FDI in structurally weak and vulnerable economies _____
- a. Increases
 - b. Remains constant
 - c. Remains fragile
 - d. None of these
14. FDI benefits include _____
- a. Promotes higher wages
 - b. Generates competitive environment
 - c. Provides increased employment
 - d. All of these
15. Monopolistic competition and the trade pattern model assumes _____
- a. A world economy consisting of two countries
 - b. A world economy consisting of only one country
 - c. Both a and b
 - d. None of these
16. Objectives of Business process outsourcing are _____
- a. Cost savings
 - b. Improved quality
 - c. Process improvement and efficiency
 - d. All of these
17. During the stage of _____ the organization's philosophy about the role of outsourcing in its activities gets developed.
- a. Strategic thinking
 - b. Evaluation and selection
 - c. Contract development
 - d. None of these
18. In the area of _____ outsourcing, people are typically tasked with internal business function.
- a. Back office
 - b. Front office
 - c. Both a and b
 - d. None of these

19. Business process outsourcing is considered _____ outsourcing if the contract is sent to another country.
- Offshore
 - Domestic
 - Both a and b
 - None of these
20. A Business process outsourcing is considered as _____ outsourcing, if the job is contracted to a neighboring country.
- Onshore
 - Nearshore
 - Both a and b
 - None of these
21. 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
 - None of these
22. _____ Business process outsourcing concentrates on functional services in specific industry domains such as manufacturing, retail, healthcare etc.
- Horizontal
 - Vertical
 - Offshore
 - Nearshore
23. _____ Business process outsourcing are function-specific and could spread across different industry domain such as data processing services, payroll processing services etc.
- Horizontal
 - Vertical
 - Offshore
 - Nearshore
24. Advantages of Business process outsourcing are _____
- Access to lower labour cost
 - Financial benefits
 - Flexibility
 - All of these
25. Disadvantages of Business process outsourcing are _____
- Security breaches
 - Relationship challenges
 - Lack of customer focus
 - All of these

Module IV Trade policy and Regionalism

1. The commercial trade policy governs a country's trade.
 - a. Internal
 - b. Regional
 - c. International
 - d. None of these

2. An Infant Industry argument promotes the idea of from foreign competition.
 - a. Rejection
 - b. Protection
 - c. Cooperation
 - d. None of these

3. The Protectionist Policy results in allocation of resources.
 - a. Inefficient
 - b. Efficient
 - c. Protective
 - d. None of these

4. The tariffs are imposed on

 - a. Imports
 - b. Exports
 - c. Both imports and exports
 - d. None of these

5. The tariffs have effect.
 - a. Protective
 - b. Positive
 - c. Negative
 - d. Large

6. The import quotas are than tariffs.
 - a. less effective
 - b. not effective
 - c. more effective
 - d. same as

7. The exchange controls imports.
 - a. Discourage
 - b. Encourage
 - c. Do not affect
 - d. Creates

8. The trade blocs encourage multilateralism.
 - a. True
 - b. False
 - c. Can't say
 - d. Either (a) or (b)

9. A regional integration cross-border investment flows between member nations.
- Encourages
 - Discourages
 - Does not affect
 - Reduces

10. The is based on some principles enshrined in the treaty of Amity and Cooperation in South Asia.
- EU
 - ASEAN
 - SAARC
 - NAFTA

11. The is an example of Multilateralism.
- WHO
 - IMF
 - WTO
 - None of the above

12. An arbitrage on import tariffs are for an exporter to a customs union.
- not possible
 - possible
 - constant
 - fixed

13. Which of the following is not an objective of commercial policy?
- To preserve foreign exchange reserves
 - To determine the rate of interest
 - To protect domestic industries from foreign competition
 - To maintain favorable balance of payments

14. The Protectionist Policy _____
- Encourages international specialization
 - Promotes global trade
 - Prevents dumping
 - Reduces government's interference in trade

15. Tariff is expressed as either a specific or an ad valorem rate, whichever is higher, is known as _____
- General Tariff
 - Mixed Tariff,
 - Compound Tariff,
 - Countervailing Tariff

16. Which one of the following is not a Non-Tariff Barrier (NTB)?
- Voluntary export restriction
 - Local content requirement
 - Administrative barrier
 - Tariff rate quotas

17. The reduction in domestic consumption due to imposition of quota results in
- Increase in government revenue
 - Increase in consumer's surplus
 - Loss of social welfare
 - Increase in social welfare
18. The ASEAN was formed in _____
- 1967
 - 1945
 - 1999
 - 2000
19. Which of the following agreement deals with trade in services?
- GATS
 - TRIPs
 - TRIMs
 - All the above
20. _____, in simple is the tax levied when a good is imported.
- Tariff
 - Quotas
 - Voluntary import restriction
 - None of these
21. _____, in simple is a payment to a firm or individual that ships a good abroad.
- Tariff
 - Quotas
 - Voluntary import restriction
 - Export subsidy
22. _____ is a direct restriction on the quantity of some goods that may be imported.
- Tariff
 - Quotas
 - Voluntary import restriction
 - Export subsidy
23. _____ is a quota imposed from the exporting county's side instead of importers.
- Voluntary export restraints
 - Tariff
 - Quotas
 - None of these
24. _____ principle of GATT states that if one country makes a concession, other GATT country should make equivalent concession to balance advantages and disadvantages of trade liberalization.
- Reciprocity

- b. Most favoured nation
- c. National treatment
- d. None of these

25. Regional trade agreements are agreements in which _____ between members and non-members.

- a. Tariff discriminates
- b. Tariff remains same
- c. Both a and b
- d. None of these

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