

April - 16

TYBCom (Sem - VI)

Business Economics

QP Code : 18330

( 2½ Hours)

[ Total Marks : 75

- N.B.:** (1) All questions are compulsory.  
(2) Figures to the right indicate full marks.  
(3) Draw neat diagrams wherever necessary.

1. Answer any two of the following

- (a) Critically evaluate the theory of comparative cost advantage.  
(b) Explain Net Barter Terms of Trade (NBTT) and Income Terms of Trade (ITT)  
(c) Discuss factors influencing terms of trade. ①

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2. Answer any two of the following

- (a) Outline the measures to correct balance of payment disequilibrium.  
(b) Discuss India's BOP position since 1991.  
(c) Explain TRIMs and GATs under WTO.

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3. Answer any two of the following

- (a) Explain in detail about dealers and participants in foreign exchange market.  
(b) Examine the merits of flexible exchange rate system?  
(c) Discuss hedging and speculation in foreign exchange market.

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4. Answer any two of the following

- (a) Discuss factors influencing demand for and supply of foreign exchange.  
(b) Critically evaluate relative version of purchasing power parity theory (PPP).  
(c) Discuss RBI's exchange rate management since 1991.

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5. (a) State with reasons whether the following statements are True or False. (Any Four) 8

- (i) Comparative cost theory of international trade is a static theory.  
(ii) If a country's demand for imports is intense then the gain from trade will increase.  
(iii) Devaluation of currency and exchange rate depreciation are one and the same.

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- (iv) Balance of trade records all economic transactions between residents of a country and rest of the world.
- (v) Spot exchange rate is determined by market forces.
- (vi) Speculation may have stabilising and destabilising effects.
- (vii) India follows flexible exchange rate system.
- (viii) Under free float, central bank controls exchange rate.
- (b) Choose the correct answers and rewrite the statements (Any Seven)
- (i) According to modern theory, \_\_\_\_\_ is responsible for international trade.
- a) Labour  
b) Factor abundance  
c) Money  
d) None of these
- (ii) An overpopulated country will have \_\_\_\_\_ terms of trade because of increased demand for imports.
- a) favourable  
b) unfavourable  
c) Both a and b  
d) none of these
- (iii) Terms of trade are expressed as \_\_\_\_\_
- a) cost ratio  
b) Price ratios of exports and imports  
c) profit ratio  
d) All of the above
- (iv) Current account includes \_\_\_\_\_
- a) unilateral receipt  
b) unilateral payment  
c) Statistical discrepancy  
d) a & b
- (v) External borrowing is treated as \_\_\_\_\_ in BOP.
- a) Accommodative flow  
b) Autonomous flow  
c) Invisible flow  
d) All of these
- (vi) Which of the following is not a cause of deficit in balance of payment?
- a) Increase in imports  
b) fall in exports  
c) globalisation  
d) capital inflows

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