

April
2019

[Time: 2½ Hours]

[Marks:75]

Please check whether you have got the right question paper.

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

- Q. 1** Attempt **any two** of the following: (15)
- a) Explain Heckscher-Ohlin theory of international trade.
 - b) Discuss Net Barter Terms of Trade (NBTT) and Gross Barter Terms of Trade (GBTT) with limitations.
 - c) Explain the determination of equilibrium terms of trade with the help of offer curves.
- Q. 2** Attempt **any two** of the following. (15)
- a) Explain causes of disequilibrium in the balance of payments.
 - b) Explain emerging trends in India's Balance of payments position since 1991.
 - c) Discuss the Agreements of WTO with reference to TRIPs and TRIMs.
- Q. 3** Attempt **any two** of the following: (15)
- a) Explain the concept of foreign exchange market and its functions.
 - b) Explain the merits and demerits of fixed exchange rate.
 - c) Discuss arbitrage and hedging in foreign exchange market.
- Q. 4** Attempt **any two** of the following: (15)
- a) What is rate of exchange? Explain how equilibrium rate of exchange is determined with the help of demand for and supply of foreign exchange.
 - b) Explain the purchasing power parity theory.
 - c) Discuss the role of Central bank in foreign exchange market.
- Q. 5** A) State with reasons, whether the following statements are True or False (**Any Four**) (08)
- i) According to Ricardo, it is the comparative cost advantage which lies at the root of specialization and trade.
 - ii) Prof. Taussig introduced the concept of income terms of trade.
 - iii) Depreciation of a currency makes the imports cheaper.
 - iv) GATS is concerned with Agreement on Services.
 - v) Spot exchange rate is the rate at which the delivery of foreign exchange has to be made at future date.
 - vi) Central Bank and commercial banks are the only dealers in foreign exchange market.
 - vii) The demand for foreign exchange is inversely related to the rate of exchange.
 - viii) The aim of the RBI's intervention in the foreign exchange market is to reduce excess volatility.

- B) Choose the correct answer and rewrite the sentences (Any seven) (07)
- i) Ricardian theory measures comparative cost in terms of _____.
a) Money b) Labour hours c) Cost of all the inputs d) none of these
 - ii) The developing countries usually _____.
a) enjoy favourable terms of trade
b) have better income terms of trade
c) suffer from adverse terms of trade
d) none of these
 - iii) Gains from international trade leads to _____.
a) expansion of market b) increase in national income c) world welfare d) all of these
 - iv) _____ is a statement of a systematic record of all economic transactions between one country and the rest of the world.
a) Balance of payments b) Balance of trade c) Capital account d) Current account
 - v) Non-monetary measures to correct disequilibrium in the balance of payments include _____.
a) Tariff and Quotas b) Import substitution c) Export Promotion d) All of these
 - vi) Under WTO, TRIPs cover _____.
a) Patents b) Copy rights c) Trademarks d) All of these
 - vii) _____ is the exchange rate quoted for future delivery of currency.
a) Spot exchange rate b) Arbitrage c) Forward exchange rate d) None of these
 - viii) Speculation in foreign exchange market refers to _____.
a) accepting risk to make profit b) careful hedging c) interest rate arbitrage d) all of these
 - ix) Under the managed floating exchange rate system, the central bank of the country intervenes to _____.
a) Purchase and sell foreign currency as per the requirement
b) Purchase foreign exchange c) Sell foreign exchange d) none of these
 - x) The Purchasing Power Parity theory was introduced by _____.
a) Alfred Marshall b) Milton friedman c) Gustav Cassel d) None of these
 - xi) The _____ has been authorized to issue licenses to those who are dealing in foreign exchange transactions.
a) RBI b) Government c) Private companies d) All of these
 - xii) The relationship between supply of foreign exchange and rate of exchange is _____.
a) Direct b) Inverse c) negative d) none of these
