TYBCom Sem VI

Eco

April-2017

Q.P. Code :02006

[Time: $2\frac{1}{2}$ 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.**

1. **Attempt any two of the following :-** (15)
   a) Discuss how factor intensity and factor abundance will influence the international trade with the help of suitable illustration.
   b) Explain gross factor terms of trade and income terms of trade with limitations.
   c) Describe the gains from trade with the help of offer curves.

2. **Attempt any two of the following :-** (15)
   a) What are the causes of disequilibrium in the balance of payments? Discuss.
   b) Discuss the changes in India's balance of payments since 1991, with reference to balance of trade, current account and capital account.
   c) Explain the important aspects of TRIPS and GATS under WTO.

3. **Attempt any two of the following :-** (15)
   a) Write a detailed note on dealers in foreign exchange market.
   b) Distinguish between spot and forward exchange rates.
   c) Define the concepts of Hedging and Arbitrage and explain how they are useful in the foreign exchange market.

4. **Attempt any two of the following :-** (15)
   a) Explain the determination of rate of exchange with the help of suitable diagram.
   b) Discuss the assumptions and limitations of purchasing power partity Theory
   c) Describe the role of central bank in foreign exchange market.

5. a) **State with reasons, whether the following statements are true or false :- (any four)** (08)
   i) Trade will not take place in case of absolute cost differences between the countries.
   ii) If the import price is less than the export price, terms of trade is unfavourable to the country.
   iii) Depreciation of a currency make the imports cheaper.
   iv) India is a founder member of WTO.
   v) Commercial banks participate in the foreign exchange market.
   vi) Fixed exchange rate system encourages foreign investment.
   vii) Exports generate supply of foreign exchange.
   viii) Currently, India follows the managed flexible exchange rate system.

   b) **Choose the correct answer and rewrite the statements :- (any seven)** (07)
   i) Both single and double factoral terms of trade were developed by __________
      a) Prof. Taussig b) Gustav Cassel
      c) David Ricardo d) Jacob Viner
   ii) Reciprocal demand is expressed in terms of __________
      a) Cost curves b) Supply curves
      c) Offer curves d) None of these
   iii) When a country produces a variety of exports it will have __________
      a) Adverse terms of trade b) Favourable terms of trade
      c) No change in terms of trade d) None of these

iv) The current account of balance of payments does not include ____________

a) Balance of visible trade b) Import of services
c) Unilateral services d) Foreign investment

v) The success of devaluation depends on ____________

a) Nature of imports and exports b) Elasticity of demand for import and export
c) International Co-operation d) All of the above

vi) TRIMS include measures to ____________

a) Treat foreign investment on par with domestic income
b) Remove quantitative restrictions
c) Treat foreign investment on par with domestic investment
d) None of the above

vii) Which of the following will increase the supply of foreign exchange in a country.

a) A reduction in exports
b) A rise in import of goods
c) A rise in unilateral payments
d) A rise in foreign investment

viii) ____________ deals in the foreign exchange market

a) Brokers b) Commercial banks
c) Travel agents d) All of the above.

ix) Simultaneous buying of a currency in one market & selling in another to make a profit is known as ________

a) Speculation b) Hedging
c) Arbitrage d) None of the above

x) The relationship between demand for foreign exchange and exchange rate is ________

a) Direct b) Inverse
c) Negative d) None of these

xi) The purchasing power parity theory was introduced by ____________

a) David Ricardo b) Gustav Cassel
c) Alfred marshall d) Amartya sen

xii) With the breakdown of the gold standards the ____________ lost significance in the exchange market.

a) Balance of payment theory
b) Mint Parity theory
c) Purchasing power parity theory
d) None of these

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