

C 25877

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Name.....

Reg. No.....

**SIXTH SEMESTER B.A. DEGREE EXAMINATION, MARCH 2012**

(CCSS)

Economics—Core Course

EC6 B13—INTERNATIONAL ECONOMICS

Time : Three Hours

Maximum : 30 Weightage

*Answers may be written either in English or in Malayalam.*

**Section A (Objective Type Questions)**

*Answer all questions.*

*Each question carries ¼ weightage.*

**I. A. Multiple Choice Questions :**

1 The theory of comparative advantage is associated with the name of :

- (a) Adam Smith. (b) Heckscher-Ohlin.  
(c) David Ricardo. (d) T.R. Malthus.

2 Heckscher-Ohlin theory is also known as :

- (a) Factor endowment theory. (b) Comparative theory.  
(c) Absolute advantage theory. (d) Theory of opportunity cost.

3 Disequilibrium in the Balance of payments is either in :

- (a) Balance. (b) Surplus or deficit.  
(c) Deficit. (d) Surplus.

4 A decrease in the domestic currency price of the foreign currency is :

- (a) Depreciation. (b) Appreciation.  
(c) Euro currency. (d) Hedging.

**B Fill in the blanks :**

5 If the currency of a country is overvalued in terms of other currencies, its exports decline and imports \_\_\_\_\_.

6 Risk management in the foreign exchange market is done through \_\_\_\_\_.

7 The normal rate quoted in the foreign exchange market is the \_\_\_\_\_.

8 Visible items are part of \_\_\_\_\_.

**C. Answer in a word or sentence :**

9 The theory of comparative cost advantage is based on the

10 A swap in the foreign exchange market refers to simultaneous sale and purchase of one currency for

Turn over



- 11 Investment in a foreign country where the investor retains control over investment is
- 12 Foreign domestic investment is the only capital in flow that has been strongly associated with higher

(12 × ¼ = 3 weightage)

### Section B

*Answer all nine questions.*

#### II. Short Answer Questions :

- 13 Distinguish between Domestic trade and International trade.
- 14 Define foreign exchange.
- 15 What do you mean by foreign exchange rate ?
- 16 What is meant by flexible foreign exchange rate ?
- 17 Define Balance of Trade.
- 18 What are the items included in the current account of Balance of Payments ?
- 19 What do you mean by disequilibrium in the Balance of payments ?
- 20 What is Foreign Domestic Investment ?
- 21 What is meant by Capital account ?

(9 × 1 = 9 Weightage)

### Section C

*Answer any five questions from seven.*

#### III. Short Essay or Paragraph Questions :

- 22 What are the invisible items in the Balance of Payments ?
- 23 What are the important differences between Domestic trade and International trade ?
- 24 Explain the importance of International trade.
- 25 What are the advantages of Foreign Domestic Investment ?
- 26 Explain the various financing facilities provided by the IMF to the member countries ?
- 27 Explain the important lending programmes of World Bank.
- 28 Explain the important functions of World Trade Organisation.

(5 × 2 = 10 weightage)

### Section D

*Answer any two questions.*

#### IV. Essay Type Questions :

- 29 Critically examine the Heckscher-Ohlin theory of International Trade.
- 30 What are the arguments for and against free trade ?
- 31 Explain the important classifications of International financial flow.

(2 × 4 = 8 weightage)