

QB365 Question Bank Software Study Materials

International Economics 50 Important 1 Marks Questions With Answers (Book Back and Creative)

12th Standard

Economics

Total Marks : 50

Multiple Choice Question

50 x 1 = 50

- 1) Trade between two countries is known as ____ trade
(a) External (b) Internal (c) Inter-regional (d) Home
- 2) Which of the following factors influence trade?
(a) The stage of development of a product (b) The relative price of factors of productions. (c) Government.
(d) All of the above.
- 3) International trade differs from domestic trade because of
(a) Trade restrictions (b) Immobility of factors (c) Different government policies **(d) All the above**
- 4) In general, a primary reason why nations conduct international trade is because
(a) Some nations prefer to produce one thing while others produce another
(b) Resources are not equally distributed among all trading nations
(c) Trade enhances opportunities to accumulate profits (d) Interest rates are not identical in all trading nations
- 5) Which of the following is a modern theory of international trade?
(a) absolute cost (b) comparative cost **(c) Factor endowment theory** (d) none of these
- 6) Exchange rates are determined in
(a) money market **(b) foreign exchange market** (c) stock market (d) capital market
- 7) Exchange rate for currencies is determined by supply and demand under the system of
(a) Fixed exchange rate **(b) Flexible exchange rate** (c) Constant (d) Government regulated
- 8) Net export equals _____.
(a) Export x Import (b) Export + Import **(c) Export - Import** (d) Exports of services only
- 9) Who among the following enunciated the concept of single factoral terms of trade?
(a) Jacob Viner (b) G.S.Donens (c) Taussig (d) J.S.Mill
- 10) Terms of Trade of a country show _____.
(a) Ratio of goods exported and imported (b) Ratio of import duties **(c) Ratio of prices of exports and imports**
(d) Both (a) and (c)
- 11) Favourable trade means value of exports are _____ Than that of imports.
(a) More (b) Less (c) More or Less (d) Not more than
- 12) If there is an imbalance in the trade balance (more imports than exports), it can be reduced by
(a) decreasing customs duties (b) increasing export duties **(c) stimulating exports** (d) stimulating imports
- 13) BOP includes
(a) visible items only (b) invisible items only **(c) both visible and invisible items** (d) merchandise trade only

- 14) Components of balance of payments of a country includes
 (a) Current account (b) Official account (c) Capital account **(d) All of above**
- 15) In the case of BOT,
(a) Transactions of goods are recorded. (b) Transactions of both goods and services are recorded.
 (c) Both capital and financial accounts are included. (d) All of these
- 16) Tourism and travel are classified in which of balance of payments accounts?
 (a) merchandise trade account **(b) services account** (c) unilateral transfers account (d) capital account
- 17) Cyclical disequilibrium in BOP occurs because of
 (a) Different paths of business cycle. (b) The income elasticity of demand or price elasticity of demand is different.
 (c) long-run changes in an economy **(d) Both (a) and (b)**
- 18) Which of the following is not an example of foreign direct investment?
 (a) the construction of a new auto assembly plant overseas (b) the acquisition of an existing steel mill overseas
(c) the purchase of bonds or stock issued by a textile company overseas
 (d) the creation of a wholly owned business firm overseas
- 19) Foreign direct investments not permitted in India
 (a) Banking **(b) Atomic energy** (c) Pharmaceutical (d) Insurance
- 20) Benefits of FDI include, theoretically
 (a) Boost in Economic Growth (b) Increase in the import and export of goods and services
 (c) Increased employment and skill levels **(d) All of these**
- 21) Absolute Cost Advantage was developed by
(a) Adam Smith (b) Ricardo (c) T.R.Hicks (d) Doltan
- 22) _____ includes both visible and invisible items.
(a) Balance of payment (b) Balance of Trade (c) Foreign Trade (d) None of these
- 23) _____ is one of the types of BoP disequilibrium.
 (a) Income terms of trade (b) Devaluation **(c) Structural** (d) FDI
- 24) _____ investment may also help increase competition.
 (a) Gold **(b) Foreign** (c) Inter Country (d) Money
- 25) _____ refers to foreign currencies.
 (a) BOT **(b) FOREX** (c) BOP (d) FUND
- 26) Large _____ are driving out foreign investors.
(a) public debt (b) private debt (c) public revenue (d) private revenue
- 27) Viner has devised another concept called _____.
(a) The single factoral terms of trade (b) Net Barter terms of trade (c) Gross Barter terms of trade (d) Internal trade
- 28) Which of the following is not a subject matter of economics?
 (a) Pure Theory of Trade (b) International Cartels and Trade Blocs **(c) Fiscal Federalism**
 (d) International Financial and Trade Regulatory Institutions

- 29) Mercantilism
- (a) Is the philosophy of free international trade
- (b) Was a system of export promotion and barriers to imports practiced by governments**
- (c) Was praised by Adam Smith in The Wealth of Nations (d) Both (a) and (c)
- 30) Find the incorrect representation. Net Barter Terms of Trade $T_n = (P_x / P_m) \times 100$
- (a) T_n = Net Barter Terms of Trade (b) P_x = Index number of export prices (c) P_m = Index number of import prices
- (d) T_n = Gross Barter Terms of Trade**
- 31) _____ in BOP occurs because of long-run and deep seated changes in an economy as it advances from one stage of growth to another
- (a) The structural disequilibrium **(b) The secular disequilibrium** (c) The cyclical disequilibrium
- (d) The seasonal disequilibrium
- 32) **Assertion:** If the market forces of demand and supply are allowed to play freely, equilibrium will be automatically restored in course of time
- Reason:** Under the free exchange rate system, the automatic adjustments of the balance of payments can take place through changes in the variables like price, interest, income and capital flows.
- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)**
- (b) Both (A) and (R) are true, but (R) is not the correct explanation of (A) (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true
- 33) When there is a chronic imbalance in the trade balance (more imports than exports), it can theoretically be reduced by means of a package of tax measures
- (a) decrease of customs duties **(b) increase of customs duties** (c) stimulating imports. (d) stimulating exports
- 34) According to the principle of comparative advantage
- | Country | Tons of steel | DVDs |
|---------|---------------|------|
| China | 80 | 40 |
| India | 20 | 20 |
- (a) China should export steel** (b) China should export steel and DVDs (c) India should export steel
- (d) India should export steel and DVDs
- 35) With international trade, what would be the maximum amount of steel that China would be willing to export to India in exchange for each DVD
- | Country | Tons of steel | DVDs |
|---------|---------------|------|
| China | 80 | 40 |
| India | 20 | 20 |
- (a) One-half ton of steel (b) One ton of steel **(c) Two tons of steel** (d) Two and one-half tons of steel
- 36) The earliest statement of the principle of comparative advantage is associated with
- (a) Adam Smith **(b) David Ricardo** (c) Eli Heckscher (d) Bertil Ohlin
- 37) If the international terms of trade settle at a level that is between each country's opportunity cost
- (a) There is no basis for gainful trade for either country **(b) Both countries gain from trade**
- (c) Only one country gains from trade (d) One country gains and the other country loses from trade
- 38) Comparative advantage is determined by:
- (a) actual differences in labor productivity between countries.
- (b) relative differences in labor productivity between countries** (c) both (a) and (b) (d) neither (a) nor (b)
- 39) According to the factor endowment model of Heckscher and Ohlin, countries heavily endowed with land will:

- (a) Devote excessive amounts of resources to agricultural production
- (b) Devote insufficient amounts of resources to agricultural production
- (c) Export products that are land-intensive Import products that are land-intensive**
- (d) Import products that are land-intensive

40) The Heckscher-Ohlin model rules out the classical model's basis for trade by assuming that _____ is (are) identical between countries

(a) factor endowments (b) factor intensities **(c) technology** (d) opportunity costs

41) The comparative advantage model of Ricardo was based on

(a) intraindustry specialization and trade **(b) interindustry specialization and trade**

(c) demand conditions underlying specialization and trade (d) income conditions underlying specialization and trade

42) The Heckscher-Ohlin theorem states that a country will have comparative advantage in the good whose production is relatively intensive in the _____ with which the country is relatively abundant.

(a) tastes (b) technology **(c) factor/resource** (d) opportunity cost

43) The Heckscher-Ohlin assumes that _____ are identical between countries

(a) tastes and preferences (b) technology levels (c) factor endowments **(d) both (a) and (b)**

44) **Assertion:** The classical theory argued that the basis for foreign trade was comparative cost difference and it considered only labour factor

Reason: But the modern theory of international trade explains the causes for such comparative cost difference

- (a) Both A and R are true and R is the correct explanation of A
- (b) Both A and R are true but R is not the correct explanation of A**
- (c) A is true but R is false
- (d) A is false but R is true

45) Use the following table to answer the next three questions

TABLE 1 Comparative Costs of Textiles and Steel in India and Japan

	India	Japan
Textiles (price per meter)	Rs. 50	Y300
Steel (price per ton)	Rs. 200	Y400

The ratio of the price of steel to that of textiles is _____ in Japan and _____ in India.

- (a) 4:3; 4:1**
- (b) 3:4; 1:4
- (c) 0.75; 0.25
- (d) cannot be determined

46) Match the correct codes

1 Mercantilism	i	Takes an usversus- them view of trade
2 Free Trade theories	ii	Absolute Advantage
3 Free Trade refined	iii	David Ricardo
4 Comparative Advantage	iv	Heckscher - Ohlin

- (a) (1) – (i) (2) – (ii) (3) – (iv) (4) – (iii)**
- (b) (1) – (ii) (2) – (iii) (3) – (iv) (4) – (i)
- (c) (1) – (iv) (2) – (iii) (3) – (i) (4) – (ii)
- (d) (1) – (i) (2) – (ii) (3) – (iii) (4) – (iv)

47) Who quoted."Economics are linked internationally through trade in goods and through financial markets? "

- (a) Dornbusch (b) Fischer (c) Startz **(d) All the above**

48) International product life cycle theory was given in _____.

- (a) 1966**
- (b) 1817
- (c) 1776
- (d) 1919

49) Comparative advantage theory was given in _____.

- (a) 1966 **(b) 1817**
- (c) 1776
- (d) 1919

50) Exchange control is a ____ measure to correct BoP disequilibrium.

- (a) Import control (b) Export promotion (c) Miscellaneous **(d) Monetary**