

**T.Y.B.Com : Semester - VI**  
**Sample Questions for Business Economics**

1. Which of the following sentences would best describe the Indian economy in 1990-91?
  - A. High inflation, low foreign exchange reserves
  - B. Low inflation, low foreign exchange reserves
  - C. Huge current account deficit, fiscal surplus
  - D. Current account surplus, huge fiscal deficit
  
2. Terms of the trade are favourable if the current index in comparisons to the base year index is\_\_\_\_\_
  - A. More
  - B. Less
  - C. Equal
  - D. Unequal
  
3. Cultural changes due to international trades are\_\_\_\_\_
  - A. Positive and negative
  - B. Only positive
  - C. Only negative
  - D. Equal
  
4. The concept of gross barter terms of trade was introduced by\_\_\_\_\_
  - A. Frank Taussig
  - B. Alfred Marshall
  - C. Francis Edgeworth
  - D. John S. Mill
  
5. The concept of income terms of trade was introduced by\_\_\_\_\_
  - A. Graeme S Dorrance
  - B. Frank W Tassuig
  - C. David Ricardo
  - D. Francis Edgeworth

6. When supply of exports is elastic, a country will have \_\_\_\_\_ terms of trade.
- A. Favourable
  - B. Unfavourable
  - C. Different
  - D. Same
7. The concept of reciprocal demand was introduced by \_\_\_\_\_.
- A. J.S.Mill
  - B. J.M.Keynes
  - C. G.S.Dorrance
  - D. F.W.Taussig
8. Hecksher-Ohlin theory is also known as \_\_\_\_\_ theory of international trade.
- A. Modern
  - B. Traditional
  - C. Classical
  - D. Neo-Classical
9. Under \_\_\_\_\_ type of cost difference, international trade will not take place.
- A. Equal
  - B. Absolute
  - C. Comparative
  - D. Unequal
10. International trade increases the welfare of \_\_\_\_\_.
- A. All participating countries
  - B. Only exporting countries
  - C. Only importing countries
  - D. Domestic firms

11. According to David Ricardo, international trade is beneficial under \_\_\_\_\_ cost.

- A. Comparative
- B. Absolute
- C. Equal difference in cost
- D. No difference

12. Comparative cost theory is static theory because it assumes\_\_\_\_\_.

- A. There is no qualitative and quantitative countries
- B. Labour homogeneous within the countries
- C. There is no transport cost
- D. There is transport cost

13. Ricardian theory assumes that labour is\_\_\_\_\_ within the country.

- A. Homogeneous
- B. Heterogeneous
- C. Inefficient
- D. Efficient

14. Ricardian theory can be extended to\_\_\_\_\_.

- A. More than two countries
- B. Only two countries
- C. Only to developed nations
- D. Only to developing countries

15. Hecksher Ohlin theory on international trade can explain \_\_\_\_\_ trade.
- A. Inter-regional and international
  - B. Only inter-regional
  - C. Only international
  - D. Only Private firms
16. Hecksher Ohlin theory cannot be applied to more than\_\_\_\_\_.
- A. Several commodities and countries
  - B. Two commodities
  - C. Two countries
  - D. Few countries
17. According to Hecksher Ohlin theory, the international trade takes place due to difference in\_\_\_\_\_.
- A. Product price
  - B. Labour efficiency
  - C. Advanced technology
  - D. Product quality
18. In international trade\_\_\_\_\_ move between nations.
- A. Commodities and not factors
  - B. Factors of production
  - C. Factors and commodities
  - D. Only factor

19. Terms of trade are expressed as a ratio of\_\_\_\_\_.
- A. Price index of exports and imports
  - B. Foreign exchange receipts and payments
  - C. FDI and portfolio investments
  - D. FII
20. Gross barter terms of trade takes into account\_\_\_\_\_.
- A. Trade items and unilateral payments
  - B. Only trade items
  - C. Only services
  - D. Tangible services
21. Single factoral terms of trade takes into account changes in\_\_\_\_\_.
- A. Efficiency of factors of production of export goods.
  - B. Export prices
  - C. Import prices
  - D. Demand for imports
22. Which one of the following is an argument for free trade?
- A. Protects domestic industries
  - B. Promotes self sufficiency
  - C. Helps diversification of industries
  - D. Promotes efficient of allocation of world resources
23. Tariff rates quotas are \_\_\_\_\_.
- A. Combinations of tariffs and quotas
  - B. Based on the value of the traded commodity only
  - C. Based on the quantity or volume of the quantity only
  - D. Low tariff rate on an initial quantity of import within the quota limit and very high tariff rate on imports above the initial amount

24. A system that makes it mandatory for domestic producers to use some proportions of domestic raw material is known as\_\_\_\_\_.
- A. Mixing quota
  - B. Global quota
  - C. Allocated quota
  - D. Import licensing
25. Which one of the following NTTBs prevents free movements of capital between countries?
- A. Preferential government procurement
  - B. Exchange controls
  - C. Domestic subsidies
  - D. Local content requirement
26. ASEAN was formed in\_\_\_\_\_.
- A. 1967
  - B. 1945
  - C. 1999
  - D. 2000
27. The \_\_\_\_\_ was established in 2015 to bring about economic integration to create a single market in ASEAN.
- A. ATIGA
  - B. AEC
  - C. AFTA
  - D. ABIF
28. The aim of ABIF is to establish\_\_\_\_\_.
- A. Banking integration in ASEAN
  - B. Food security in ASEAN
  - C. Free labour market in ASEAN
  - D. Customs union in ASEAN

- 29.** Countervailing tariffs specifically aim to\_\_\_\_\_.
- A. Give preferences to imports from a customs union
  - B. Retaliate to a tariff imposed by a trading partner
  - C. Neutralize the effects of subsidies given to the producers in the exporting countries
  - D. Counter dumping by other countries
- 30.** Which of the following is not a NTB?
- A. Voluntary export restrictions
  - B. Local content requirement
  - C. Administrative barriers
  - D. Tariff rate quotas
- 31.** The reduction in domestic consumption due to imposition of quota results in\_\_\_\_\_.
- A. Increase in government revenue
  - B. Increase in consumer's surplus
  - C. Loss of social welfare
  - D. Increase in social welfare
- 32.** A preferential trade area is a trade bloc where\_\_\_\_\_.
- A. Countries agree to reduce or eliminate tariff barriers on all goods imported from other member nations.
  - B. Countries agree to reduce or eliminate tariff barriers on selected goods imported from other member nations
  - C. Countries agree to have a common unified tariff against non-members
  - D. All barriers are eliminated to allow free movement of goods services, capital and labour

**33.** A customs union is a trade bloc where\_\_\_\_\_.

- A. Countries agree to reduce or eliminate tariff barriers on all goods imported from other member nations
- B. Countries agree to reduce or eliminate tariff barriers on selected goods imported from other member nations
- C. Countries agree to have a common unified tariff against non-members
- D. All barriers are eliminated to allow free movement of goods, services, capital and labour

**34.** A common or single market is a trade bloc where\_\_\_\_\_.

- A. Countries agree to reduce or eliminate tariff barriers on all goods imported from other members nations
- B. Countries agree to reduce or eliminate tariff barriers on selected goods imported from other member nations
- C. Countries agree to have a common unified tariff against non-members
- D. All barriers are eliminated to allow free movement of goods, services, capital and labour

**35.** The\_\_\_\_\_ was signed to create the EU in 1993.

- A. Treaty of Maastricht
- B. Treaty of Rome
- C. Treaty of Libson
- D. Treaty of London



- 36.** The euro replaced the national currencies of 12 EU member nations in the year\_\_\_\_\_.
- A. 1997
  - b. 2002
  - C. 2000
  - D. 1995
- 37.** The functioning of the EU single market is governed by\_\_\_\_\_.
- A. Treaty of Rome
  - B. Treaty of Amity and Cooperation
  - C. European Financial Stability Facility
  - D. Treaty of the Functioning of European Union
- 38.** The Eurozone crisis was essentially a\_\_\_\_\_ crisis.
- A. Immigration
  - B. Food
  - C. Sovereign debt
  - D. Political
- 39.** The\_\_\_\_\_ was established in 2015 to bring about economic integration to create a single market in ASEAN.
- A. ATIGA
  - B. AEC
  - C. AFTA
  - D. ABIF

40. The full form of TRIMs\_\_\_\_\_.
- A. Trade Related investment Measures
  - B. Trade related insurance measures
  - C. Trade investment methods
  - D. Trade investment options
41. WTO set up on\_\_\_\_\_.
- A. 1<sup>st</sup> January 1995
  - B. 1<sup>st</sup> June 1985
  - C. 31<sup>st</sup> July 1995
  - D. 1<sup>st</sup> January 2000
42. GATS stands for\_\_\_\_\_.
- A. General Agreement on Trade in Services
  - B. General Agreement on Tariff and Services
  - C. General Agreement on Transport and Services
  - D. General Agreement on Transport and tax
43. \_\_\_\_\_has given mandate to negotiate multilateral rules relating to services.
- A. WTO
  - B. World Bank
  - C. IMF
  - D. ADB
44. Foreign direct investment is a part of\_\_\_\_\_.
- A. Capital account
  - B. Trade account
  - C. Current account
  - D. Personal account
45. The current balance of BoP does not include\_\_\_\_\_.
- A. FDI
  - B. Services exports
  - C. Unilateral transfers
  - D. Non-factor services

46. \_\_\_\_\_ is not a part of unilateral transfers.
- A. Short term loans
  - B. Gifts
  - C. Donations
  - D. Remittances by workers
47. Unilateral flows in the balance of payments account refer to\_\_\_\_\_
- A. Gifts and Grants
  - B. Capital flows
  - C. Visible goods flows
  - D. Invisible flow of services
48. Autonomous capital flows\_\_\_\_\_ other items in the balance of payments.
- A. Are independent of
  - B. Depend on
  - C. Are related to
  - D. Have impact on
49. The current account in the balance of payments\_\_\_\_\_.
- A. Includes merchandise trade and services
  - B. Is a total of all of all the visible items of trade
  - C. Includes borrowing
  - D. Includes autonomous and accommodating flows.
50. A deficit in India's balance of trade in recent times is due to \_\_\_\_\_.
- A. All of the above
  - B. Rise in price of crude oil
  - C. Increase in imports
  - D. Reduction in exports

51. There is an increase in \_\_\_\_\_ on India's capital a/c in recent times.

- A. Non-debt foreign investment flows
- B. Private transfers
- C. Private remittances
- D. Unilateral receipts.

52. Bank capitals on India's capital a/c includes \_\_\_\_\_.

- A. Foreign currency deposits- NRI deposits
- B. Foreign exchange reserves
- C. Local withdrawal from NRI rupee deposits
- D. Official transfers

53. Private transfers on India's current account include \_\_\_\_\_.

- A. Local withdrawal from NRI rupee deposits
- B. Foreign currency deposits
- C. Foreign exchange reserves
- D. Private deposit

54. International trade increases the welfare of \_\_\_\_\_.

- A. All participating countries
- B. Only exporting countries
- C. Only importing countries
- D. No countries

55. The highest authority of WTO is\_\_\_\_\_.
- A. The Ministerial Conference
  - B. The Trade Policy Review Body
  - C. The General Council
  - D. The Dispute Settlement Body
56. The Agreement on agriculture does not aim at\_\_\_\_\_.
- A. Increasing export subsidies
  - B. Improving market access
  - C. Reducing domestic subsidies
  - D. Reducing domestic support
57. Portfolio foreign investment is included in \_\_\_\_\_ account of BoP.
- A. Capital
  - B. Current
  - C. Trade
  - D. Debit
58. \_\_\_\_\_helps to equalize the exchange rate in all part of the foreign exchange market.
- A. Speculation
  - B. Interest arbitrage
  - C. Hedging
  - D. Fixed deposi
59. Speculation in foreign exchange market refers to \_\_\_\_\_.
- A. Accepting risk to make profits
  - B. Hedging
  - C. Interest arbitrage
  - D. Fixed deposit

60. The rate at which the foreign currency is exchanged at current rate is called \_\_\_\_\_rate.
- A. Spot
  - B. Forward
  - C. Arbitrage
  - D. Interchange price
61. \_\_\_\_\_ is not included in the wholesale foreign exchange market.
- A. Small investor
  - B. RBI
  - C. FII
  - D. Commercial Bank
62. Fixed exchange rate system, the exchange rate was\_\_\_\_\_.
- A. Stable
  - B. Unstable
  - C. Fluctuating
  - D. Managed
63. Hedging refers to\_\_\_\_\_.
- A. The covering of a foreign exchange risk
  - B. Foreign exchange speculation
  - C. The acceptance of foreign exchange risk
  - D. Interest rate arbitrage
64. Which of the following is not a function of the foreign exchange market?
- A. Import and exchange of goods and services
  - B. Transfer of purchasing power
  - C. Coverage of risk
  - D. Provision of credit instruments and credits

65. India adopts \_\_\_\_\_ exchange rate system.

- A. Managed flexibility
- B. Fixed exchange rate
- C. Flexible exchange rate
- D. Interchange rate

66. Vehicle currency is \_\_\_\_\_.

- A. A internationally accepted currency
- B. A currency of IMF
- C. A currency issued by RBI
- D. A currency issued by Private Companies

67. Speculators deal in \_\_\_\_\_.

- A. Spot and forward exchange rate
- B. Only spot exchange rate
- C. Only forward exchange rate
- D. Flexible exchange rate

68. Foreign exchange market is a place where\_\_\_\_\_.

- A. Various foreign currencies are exchanged
- B. Only foreign tourists exchange currencies
- C. Only exporters convert the foreign currencies
- D. Only importers convert the foreign currencies.

69. Flexible exchange creates \_\_\_\_\_ in importers and exporters.

- A. Uncertainty
- B. Confidence
- C. Safety
- D. Panic

70. \_\_\_\_\_ is not a defect of flexible exchange rate.

- A. Stability in international monetary system
- B. Speculation
- C. Structural unemployment
- D. Discourages investments

71. Under \_\_\_\_\_ exchange rate system, the exchange rate is determined by market forces.

- A. Flexible
- B. Fixed
- C. Managed float
- D. Fixed float

72. Under \_\_\_\_\_ exchange rate system, the central bank of a nation intervenes in exchange rate determination.

- A. Managed float
- B. Fixed
- C. Flexible
- D. Variable



73. The modern foreign exchange market operates under \_\_\_\_\_ rate system.

- A. Floating
- B. Fixed
- C. Highly managed float
- D. Modern

74. \_\_\_\_\_ is a feature of foreign exchange market.

- A. Operates 24 hours for 5 days in a week
- B. Operates 24 hours for all 7 days in a week
- C. Operates in 365 days in a year
- D. None of the above

75. \_\_\_\_\_ is not a feature of foreign exchange market.

- A. Limited geographical coverage
- B. Highly liquid market
- C. Huge value market
- D. Money market