T.Y.B.COM. - BUSINESS ECONOMICS-VI

CHAPTER - 1 : INTERNATIONAL TRADE

MULTIPLE CHOICE QUESTIONS

1. International trade increases the welfare of____________.
   (all participating countries, only exporting countries, only importing countries, none of the above)
2. International trade increase the___________of participating countries.
   (output, profit, risks, none of the above)
3. According to David Ricardo, international trade is beneficial under _______ cost. (comparative, absolute, equal difference in cost, none of the above)
4. David Ricardo's Theory assumes perfect mobility of labour_____________.
   (within the country, between the participating countries, within and between the participating countries, none of the above)
5. Comparative cost theory is static theory because it assumes_____________.
   (there is no qualitative and quantitative change in inputs, labour is homogeneous within the country, there is no transport cost, none of the above)
6. Ricardian theory measures comparative cost in terms of_____________.
   (man days, money, input costs, all of the above)
7. Ricardian theory assumes that labour is____________within the country.
   (homogeneous, heterogeneous, inefficient, all of the above)
8. Ricardian theory can be extended to___________. (more than two countries, only two countries, only to developed nations, only to developing nations)
9. Hecksher Ohlin theory on international trade can explain _____________ trade. (inter-regional and international, only inter-regional, only international, none of the above)
10. Commodity X is capital intensive, when in its production capital/ labour ratio is________________than Commodity Y. (greater, less, equal to, none of the above)

11. Hecksher Ohlin theory cannot be applied to more than_____________.
    (several commodities and several countries, two commodities, two countries, few countries)
12. According to Hecksher Ohlin theory, product price depends on _______.
    (all of the given below, only factor intensity, only factor abundance, factor cost)
13. According to Hecksher Ohlin theory, the international trade takes place due to difference in___________________. (product price, labour efficiency, advanced technology, all of the above)
14. In international trade__________move between nations. (commodities and not factors, factors of production, factors and commodities, none of the above)
15. Terms of trade are expressed as a ratio of___________.
    (price index of exports and imports, foreign exchange receipts and payments, FDI and portfolio investments, none of the above)
16. Terms of trade are favourable if the current index in comparison to the base year index is_________________. (more, less, equal, none of the above)
17. Gross barter terms of trade takes into account____________.
    (trade items and unilateral payments, only trade items, only services, none of the above)
18. Income terms of trade indicate increased capacity to_____________.
    (import, export, investment, none of the above)
19. Single factoral terms of trade takes into account changes in_____________.
    (efficiency of factors of production of export goods, export prices, import prices, demand for imports)
20. Generally, the developing countries___________terms of trade. (suffer from adverse, enjoy favourable, ignore, none of the above)
21. The gain from trade is maximum if the international terms of trade are___. (nearer to the internal terms of trade of trading partner, nearer to the domestic terms of trade of importing country, equal to exporting country, none of the above.)
22. An offer curve differs from__________. (usual demand and supply curves, usual demand curve, usual supply curve, none of the above)
23. International trade increases the welfare of____________.
    (all participating countries, only exporting country, only importing country, only developed countries)
24. International trade results in___________. (all of the given below, innovations, reduction in costs, diversifies consumption)

25. Cultural changes due to international trade are____________.
(positive and negative, only positive, only negative, none of the above)
26. The concept of gross barter terms of trade was introduced by_____________.
(Frank Taussig, Alfred Marshall, Francis Edgeworth, John S. Mill)
27. The concept of income terms of trade was introduced by____________.
(Graeme S Dorrance, Frank W Taussig, David Ricardo, Francis Edgeworth)
28. Utility terms of trade was introduced by___________.
(Jacob Viner, Adam Smith, J. S. Mill, Frank Taussig)
29. The concept of offer curves was introduced by___________.
(A. Marshall and F Edgeworth, Adam Smith and David Ricardo, John S. Mill and John M Keynes, None of the above)
30. Terms of trade will be favourable to a country when____________.
(all of the given below, its exports have inelastic demand, its imports have elastic demand, its supply of exports is elastic)
31. The offer curve of a country is based on___________. (relative prices of two commodities, price of exports, price of imports, supply of exports)
32. A country will have unfavourable terms of trade when_____________.
(imports have inelastic demand, imports have elastic demand, exports have elastic supply, none of the above)
33. When supply of exports is elastic, a country will have____________terms of trade. (favourable, unfavourable, different, none of the above)
34. The concept of reciprocal demand was introduced by____________.
(J. S. Mill, J. M. Keynes, G. S. Dorrance, F.W. Taussig)
35. Reciprocal demand is expressed in terms of___________.
(Offer curves, supply curves, demand curves, cost curves)
36. The classical theory of international trade was presented by_____________.
(David Ricardo, Hecksher-Ohlin, J. M. Keynes, Alfred Marshall)
37. Hecksher-Ohlin theory states that the relative factor prices in two countries are determined by___________. (differences in factor endowments, labour efficiency, technological developments, none of the above)
38. Hecksher-Ohlin theory is also known as___________theory of international trade. (modern, traditional, classical, none of the above)
40. Under________type of cost difference, international trade will not take place. (equal, absolute, comparative, none of the above)

Ans: The first option is the correct option.

CHAPTER - 2 : COMMERCIAL POLICY AND INTERNATIONAL ECONOMIC INTEGRATION

MULTIPLE CHOICE QUESTIONS

1. Which one of the following is not an objective of commercial trade policy ?
   (a) To preserve foreign exchange reserves
   (b) To determine the rate of interest
   (c) To protect domestic industries from foreign competition
   (d) To maintain favourable balance of payments
2. 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 allocation of world resources
3. Which of the following is an argument against the policy of free trade?
   (a) Does not always benefit less developed countries
   (b) Protects inefficient industries
   (c) Causes unemployment in the export sector
   (d) Harms domestic consumers
4. Protectionist policy _________
   (a) Encourages international specialization
   (b) Promotes global production
   (c) Helps prevent dumping
   (d) Reduces government intervention in trade
5. Tariff rate quotas are _________
   (a) combination 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

6. A tariff expressed as either a specific or an ad valorem rate, whichever is higher, is known as ___________

    (a) General tariff (b) Mixed tariff

    (c) Compound tariff (d) Countervailing tariff

7. Countervailing tariffs specifically aim to ___________

    (a) give preference to imports from a customs union

    (b) retaliate to a tariff imposed by a trading partner

    (c) neutralize the effects of subsides given to the producers in the exporting countries

    (d) counter dumping by other countries

8. A system that makes it mandatory for domestic producers to use some proportion of domestic raw material is known as ____________

    (a) Mixing quota (b) Global quota

    (c) Allocated quota (d) Import licensing

9. Which of the following is not a NTB?

    (a) Voluntary export restrictions

    (b) Local content requirement

    (c) Administrative barriers

    (d) Tariff rate quotas

10. Which one of the following NTBs prevents free movement of capital between countries?

    (a) Preferential government procurement

    (b) Exchange controls

    (c) Domestic subsidies

    (d) Local content requirement

11. 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

12. 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

13. A free 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

14. 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

15. 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 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

16. ______ is one of the disadvantages of international economic integration.

(a) cross-border investment flows

(b) employment generation

(c) increasing interdependence

(d) conflict resolution

17. The ______ was signed to create the EU in 1993.
    (a) Treaty of Maastricht (b) Treaty of Rome
    (c) Treaty of Lisbon (d) Treaty of London
18. The euro replaced the national currencies of 12 EU member nations in the year ______
    (a) 1997 (b) 2002
    (c) 2000 (d) 1995
19. The functioning of the EU single market in 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
20. The Eurozone crisis was essentially a__________crisis.
    (a) Immigration (b) Food
    (c) Sovereign debt (d) Political
21. ASEAN was formed in
    (a) 1967 (b) 1945
    (c) 1999 (d) 2000
22. 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
23. 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

Ans.: (1) - (b), (2) - (d), (3) - (a), (4) - (c), (5) - (d), (6) - (b), (7) - (c), (8) - (a), (9) - (d), (10) - (b), (11) - (c), (12) - (b), (13) - (a), (14) - (c), (15) - (d), (16) - (c), (17) - (a), (18) - (b), (19) - (d), (20) - (c), (21) - (a), (22) - (b), (23) - (a)

CHAPTER - 3 : BALANCE OF PAYMENTS AND WTO

MULTIPLE CHOICE QUESTIONS

1. Unilateral transfers__________. (all of the below, are unrequited transfers, are one-way transfers, include gifts/remittances)
2. Unilateral flows in the balance of payment account refer to_____________. (Gifts and Grants, capital flows, visible goods flows, invisible flow of services)
3. The full form of TRIMs is__________. (Trade Related Investment Measures, trade related insurance measures, trade related investment methods)
4. WTO was set up on__________. (1st January 1995, 1st June 1985, 31st July, 1995, 1st January 2000)
5. GATS stands for_________. (General Agreement on Trade in Services, General Agreement on Tariff and Services, General Agreement on Transport and Services)
6. Autonomous capital flows___________other items in the balance of payments. (are independent of, depend on, are related to, have impact on)
7. The current account in the balance of payments____________. (includes merchandise trade and services, is a total of all the visible items of trade, includes borrowings, includes autonomous and accommodating flows).
8. A deficit in India's Balance of Trade in recent times is due to____________. (all of the below, rise in price of crude oil, increase in imports, reduction in exports)
9. Good performance on__________has helped India to reduce its current a/c balance deficit in recent times. (invisible account, trade account, capital account)
10. There is an increase in__________on India's capital a/c in recent times. (non-debt foreign investment flows, private transfers, private remittances, unilateral receipts).
11. After covering deficits on current a/c, excess capital a/c receipts are added to_______________. (foreign exchange reserves, IMF account, official transfers)

12. Bank capital on India's capital a/c includes___________.

    (foreign currency deposits – NRI deposits, foreign exchange reserves, local withdrawal from NRI rupee deposits, official transfers)

13. Private transfers on India's current account include____________. (Local withdrawal from NRI rupee deposits, foreign currency deposits, foreign exchange reserves)

14. International trade increases the welfare of___________. (all participating countries, only exporting countries, only importing countries, none of the above)

15. WTO agreements incorporated__________proposals. (Arthur Dunkel, Adam Smith, David Ricardo, John M. Keynes)

16. _______ has given mandate to negotiate multilateral rules relating to services. (WTO, World Bank, IMF, ADB)

17. Foreign direct investment is a part of___________. (Capital account, trade account, current account, none of the above)

18. External borrowing is treated as _______ flow. (Accommodative, Autonomous, invisible, none of the above)

19. Foreign exchange reserves of India include _______. (All of the below, Special Drawing Rights, Foreign Currency reserves, Reserve Tranche of IMF)

20. The highest authority of WTO is__________. (The Ministerial Conference, The Trade Policy Review Body, The General Council, The Dispute Settlement Body)

21. The Agreement on Agriculture does not aim at____________. (Increasing export subsidies, Improving market access, reducing domestic subsidies, reducing domestic support)

22. Intellectual property rights include____________. (All of the below, copyrights, layout designs, trade marks)

23. The current account balance of BoP does not include____________. (FDI, services exports, unilateral transfers, non-factor services)

24. _______ is not a part of unilateral transfers (Short term loans, gifts, donations, remittances by workers)

25. _______ is not a direct measure to correct BoP disequilibrium. (Devaluation of exchange rate, quotas, tariffs, import substitution)

26. When BoP disequilibrium is chronic in nature and lasts for a long time, it is a sign of__________________disequilibrium. (fundamental, cyclical, structural, monetary)

27. When disequilibrium takes place due to changes in demand pattern for exports or imports, it is a case of_____________disequilibrium. (structural, cyclical, long-term, short-term)

28. TRIMs agreement refers to treating foreign investment at____________with domestic investment. (par, premium, discount, inequity)
29. The effectiveness of devaluation depends on___________. (All of the below, international cooperation, elasticity of demand for merchandise goods, elasticity of demand for services)
30. Foreign exchange reserves of India include___________. (All of the below, SDRs, Foreign Currency Assets, Gold Reserves)
31. In the past several years, India’s capital account balance was in _______. (surplus, deficit, balance, none of the above)
32. Portfolio foreign investment is included in___________account of BoP. (capital, current, trade, debit)
33. Expenditure switching policies to correct BoP deficit include ____________ of domestic currency. (devaluation, appreciation, revaluation, all of the above)
34. Tariffs and quotas are imposed on imports to correct BoP deficit are called as_____________measures. (direct, indirect, passive, all of the above)
35. The sum of the total export-import demand elasticity must be_____________. (greater than one, equal to one, zero, less than one)
36. In the past several years, India’s net invisibles were in____________. (surplus, deficit, balance, none of the above)

Ans: The first option is the correct option.

CHAPTER - 4 : FOREIGN EXCHANGE MARKET

MULTIPLE CHOICE QUESTIONS

1. Hedging refers to___________. (the covering of a foreign exchange risk, foreign exchange speculation, the acceptance of foreign exchange risk, interest rate arbitrage)
2. Under flexible exchange rate system, exchange rate is determined by _________. (the demand and supply of foreign exchange, Central Bank intervention, the price of gold, none of the above)
3. Functions of forex market include____________. (all the below, provision of facilities for funds transfer, trading, short term finance)
4. Which of the following is not a function of the foreign exchange market?

   (Import and export of goods and services, transfer of purchasing power, coverage of risk, provision of credit instruments and credit)
5. _________ helps to equalize the exchange rate in all part of the foreign exchange market. (speculation, interest arbitrage, hedging)
6. Forward market in foreign exchange refers to______________market. (Short and long run, a short run, a long run, a spot)
7. Speculation in foreign exchange market refers to_____________. (accepting risk to make profits, hedging, interest arbitrage, none of the above)
8. India adopts___________exchange rate system. (managed flexibility, fixed exchange rate, flexible exchange rate, none of the above)
9. The rate at which the foreign currency is exchanged at current rate is called _______________rate. (spot, forward, arbitrage, none of the above)
10. Vehicle currency is___________. (a standard internationally accepted currency, a currency of IMF, a currency issued by RBI, none of the above)
11. Arbitrage refers to purchase and sale of an asset_______________. (at low price in one market and its simultaneous sale at higher price in another market, at high price in one market and its sale at lower price in another market, purchase and sale at the same price, all of the above)
12. _________ is not included in the wholesale foreign exchange market. (small investor, RBI, FII, Commercial Bank)
13. Speculators deal in___________. (spot and forward exchange rate, only spot exchange rate, only forward exchange rate, none of the above)

14. Hedgers enter foreign exchange market to_____________. (cover risk, earn margin, speculate, none of the above)
15. Foreign exchange market is a place where_____________. (various foreign currencies are exchanged, only foreign tourists exchange currencies, only exporters convert the foreign currencies, only importers convert the foreign currencies)
16. Flexible exchange creates____________in importers and exporters. (uncertainty, confidence, safety, none of the above)
17. _________ is not a defect of flexible exchange rate. (Stability in international monetary system, speculation, structural unemployment, discourages investments)
18. Under___________exchange rate system, the exchange rate is determined by market forces. (flexible, fixed, managed float, all of the above)
19. Under__________exchange rate system, the central bank of a nation intervenes in exchange rate determination. (managed float, fixed, flexible, none of the above)
20. Fixed exchange rate system, the exchange rate was______________. (stable, unstable, fluctuating, all of the above)
21. The modern foreign exchange market operates under_______________rate system. (floating, fixed, highly managed float, all of the above)
22. In exchange rate determination, the first currency in the currency pair is called____________currency. (base, soft, negotiable, hard)
23. _________ is a feature of foreign exchange market. (operates 24 hours for 5 day in a week, operates 24 hours for all 7 days in a week, operates 365 days in a year, none of the above)
24. _________ is not a feature of foreign exchange market. (Limited Geographical Coverage, Highly Liquid Market, Huge Value Market, None of the above)
25. _________ enables an investor to earn high returns while minimizing capital risks. (Leverage, Liquidity, Reserves, all of the above)
26. Transactions in foreign exchange market have become quicker due to _________. (advanced technology, Government Initiatives, IMF, World Bank)
27. Society for Worldwide Interbank Financial Telecommunications (SWIFT) is a__________communication network that facilitates 24-hour secure international exchange of payment instructions between banks, central banks, multinational corporations, and major securities firms. (Global, Local, National, None of the above)

28. The function of foreign exchange market that helps in clearing international transactions is known as_____________. (transfer, credit, hedging, speculation)
29. Provision of documentary bills of exchange in international payments is an example of________________function. (creation of credit, transfer, speculation, hedging)
30. The function of foreign exchange market, which is concerned with fixing of forward exchange rates is known as___________________. (Hedging, speculation, arbitrage, transfer)
31. The foreign exchange rate of a nation is influenced by______________.

    (all of the below, speculators, hedgers, arbitrators)
32. The foreign exchange rate of a nation is influenced by______________.

    (all of the below, BoP, Interest rate, speculation)
33. _________ is not a feature of spot exchange rate. (Clearing of payment takes place fairly long period, demand and supply of foreign currency determines the rate, current exchange rate, all of the above)
34. The demand for foreign currency arises due to____________. (imports, exports, investments from abroad, none of the above)
35. The supply of foreign currency is on account of____________. (exports, imports, investments abroad)
36. _______ rate is the rate at which a nation's currency is exchanged for some other nation's currency. (Exchange, Transfer, Negotiating, All of the above.
37. The demand curve for foreign exchange slopes___________indicating that when the exchange rate of foreign currency falls, the demand for it increases. (downwards, upwards, sideways, none of the above)
38. The supply curve for foreign currency slopes____________indicating that when the exchange rate of foreign currency increases, the supply of it increases. (upwards, downwards, sideways, all of the above)
39. If there is more demand for foreign currency, the foreign currency will___. (appreciate, depreciate, nil effect, none of the above)
40. When the demand curve for foreign currency, intersects the supply curve, we get _____________exchange rate. (equilibrium, premium, discount, par)
41. Theory of purchasing power parity___________. (neglects capital account transactions, includes transportation cost, includes prices of non- traded goods, applies only in short run)
42. Purchasing Power Parity Theory was propounded by_____________. (Gustav Cassel, David Ricardo, Adam Smith, None of the above).
43. Purchase of foreign currency by the monetary authority_____________the appreciation of domestic currency. (prevents, aggravates, leads to)

44. _______ is monetary authority's intervention to prevent forex fluctuations through M Policy instruments. (Sterilized Intervention, bank rate, open market operations, Un-sterilized intervention)
45. _______ is monetary authority's Intervention by purchase/sale of foreign current to prevent fluctuations in foreign exchange. (Unsterilised Intervention, Sterilized intervention, bank rate policy)
46. _______ of goods results in demand for foreign currency. (Import, export, sale in domestic market, none of above)
47. _______ results in supply of foreign currency. (Unilateral receipts, unilateral payments, investment abroad, none of above)
48. Equilibrium exchange rate is determined when____________. (the demand curve for foreign currency intersects with supply curve, demand curve shifts upwards, supply curves slopes downwards, none of the above)
49. Exchange rate between two currencies is based on____________. (purchasing power of two currencies, economic development of the two nations, political stability in the two countries, none of the above)
50. Critics of Purchasing Power Parity theory state that it has limited application for__countries. (Large, small, medium-sized, none of the above)
51. PPP Theory considers that goods in different countries are_____________.(Identical, differential, superior, non of the above)
52. PPP Theory ignores capital flows on account of____________. (capital account, trade account, current account, none of the above)
53. There is a________relationship between demand for foreign currency and the exchange rate. (inverse, direct, straight, positive)
54. There is a________relationship between supply of foreign currency and the exchange rate. (direct, inverse, negative, indirect)
55. LERMS was introduced in India in__________. (1992, 2000, 2002, 2012)
56. Under managed float, the central bank of a nation intervenes to _______ foreign currency. (purchase and sell, only purchase, only sale, none of the above)
57. Under flexible exchange rate system, the exchange rate is determined by__. (market forces, central bank, commercial banks, none of the above)
58. Under IMF, the exchange rate system was___________. (gold standard, currency board system, dollarization, none of the above)

Ans: The First Option is the correct option.

Question	Option A	Option B	Option C	Option D
16 ……… server as an index of gains from trade	terms of trade	gains from trade	international trade	none of (A) b c
……gains are measured over a period of time	dynamic	static	indirect	direct
…… is also referred as commodity terms of trsde	gross barter terms of trade net barter terms of trede		income terms of trade	utility of trade
….. Gains also referred as commodity thrms of trade	static	dynamic	international	domestic
an offer curve is also known as the	inverse curve	reciprocal demand curve	reverse curve	reciprocal supply curve
the comparative cost theory is first systematically formulated by the English economist in his principal of political economy and taxation (1817)	j . S. mill	f. w. taussig	g.v. haberler	david ricardo
the modern theory of the factor endowment is also known as ….	absolute cost advantage theory	theory of comparative differences in cost	heckscher -ohlin theory	none of (A) b c
protection policy is advocated against the practice of	domping	devaluation	export promotion	deflation

the gatt generally prohibits the use of …tariffs with the exemption of the british commonwealth preferences	prohibitive	protective	retaliatory	preferential
a specific type of quota thatprohibits all forms of trade is an …..	voluntary export restraint (ver)	embargoes	countertrade	immigration
the .. Acts as the executive of the european union	european parliament	council of the european union	european commission	european central bank
the referendum for BREXIT was conducted on ….	23-Jun-16	23-May-16	1st january 2016	01-Apr-16
…….. Includes only visible items	balance of payment	balance of teade	current account	capital account
……..is a fiscal device which may be used for correcting an unfavourable balance of payments position	import quotas	import substitution	export promotion	tariff
………. Makes export of goods cheaper and imports dearer	devaluation	import prohibition	licence quota system	tariff
…….acts as a watchdog of international trade	gatt	world bank	world trade organisation (WTO)	none of these

under .....all countries have to provide for protection of product patents from january1 1995	TRIPS	TRIMS	GATS	WTO
THE....IS A PLACE WHERE FOREIGE CURRENCY IS PURCHASED AND SOLD	stock market	forward market	bullion market	foreign exchange market
most exchange rates use the ....as the base currency	us dollar	british pound	euro	japanese yen
the purchasing power parity is useful in explaining the relationship between.....	spot rates	arbitrage	forward rates	exchange rates
a........ Is the market in which currencies are bought and sold now but delivery is done sometimes in the future	foreign exchange market	commodity market	forward market	exchange rates
a........ Policy is generally helps to reduce the likelihood of global trade conflicts	fixed exchange rate	flexible exchange rate	free trade	protectionism
according to ricardo international trede is beneficial under	absolute cost	comparative cost	equal difference in cost	

ricardian theory assumes perfect mobility of labour	within the country	between the countries	both within and between the countries	
comparative cost theory is a static theory because according to it	there is no qualitative and qualitative change in inputs	labour is homogeneous within the country	there is not ransport cost	
ricardian theory measures comparative cost in terms of	money	labour days	cost of all the inputs	
ricardian theory assumes that	labour is homogenous and of same efficiency in all the countries	labour is homogenous within the country	labour differ in efficiency within the country	
ricardian comparative cost theory can be extended or pooled to	more than two commodities	only two countries	only to developed countries	
H o .theory can explain	inter- regional trade	international trade	both a and b	
commodity X is capital intensive if in its production	capital /labour (K/L)RATIO IS GREATER THEN y	X requires better technology then Y	x REQUIRES BETTER technology then Y	
in international trade	factors of production move between the countries	both factors and commodities move between the counties	commodities move between the counties instead of	

			factors	
according to H .o . Theory the international trade takes place due to the difference in	labour efficiency	difference in product price	better technology	
according to H .o . Theory product price depends on	factor intensity	factor abundance	factor cost	all the above
	H.o. theory cannot be applied to more than	two countries	two commodities	can be extended to many commodities and many countries
RECIPROCAL DEMAND IS	MUTAL DEMAND OF TWO COUNTRIS TO EACH OTHER S GOOD	mutuel supply	price of exports	
the gain from trade is maximum if international terms of trade are --- an offer curve	nearer to the domestic terms of trade of importing country	nearer to the internal terms of trade of treding partner	equal to exporting country	none of the above