



# Sampurna 2026

## International Trade

### Notes

#### Unit 1 : Theories of International Trade

##### International Trade

1. Which of the following does not represent a difference between in-ternal trade and international trade?
  - (a) transactions in multiple currencies
  - (b) homogeneity of customers and currencies
  - (c) differences in legal systems
  - (d) none of the above

##### Theories of International Trade

2. Which of the following holds that a country can increase its wealth by encouraging exports and discouraging imports?
  - (a) Capitalism
  - (b) Socialism
  - (c) Mercantilism
  - (d) Laissez faire
3. Theory of Comparative cost advantage is \_\_\_\_\_ in nature and it \_\_\_\_\_ takes into account of factor price difference [June 2024]
  - (a) Positive, does
  - (b) Normative, does not
  - (c) Positive, does not
  - (d) Normative, does
4. Mercantilism advocates [June 2024 ]
  - (a) Aggressive exports over imports to accumulate wealth
  - (b) Comparative advantage
  - (c) Absolute cost advantage
  - (d) Factor endowment
5. Which of the following is NOT an assumption of Absolute Cost Advantage Theory?
  - (a) There are two countries
  - (b) There are two commodities
  - (c) The commodities are heterogeneous
  - (d) There is only labour Cost of Production.

6. The theory of absolute advantage states that:
  - (a) national wealth and power are best served by increasing exports and decreasing imports
  - (b) nations can increase their eco-nomic well-being by specializing in the production of goods they produce more efficiently than anyone else.
  - (c) that the value or price of a commodity depends exclusively on the amount of labour going into its production and therefore factor prices will be the same
  - (d) differences in absolute advantage explains differences in factor endowments in different countries.
7. Which of the following theories advocates that countries should produce those goods for which it has the greatest relative advantage?
  - (a) Modern theory of international trade
  - (b) The factor endowment theory
  - (c) The Heckscher-Ohlin Theory
  - (d) None of the above
8. Given the number of labour hours to produce cloth and grain in two countries, which country should produce grain?

Labour Cost (hours) for production of one unit

	Country A	Country B
Cloth	40	80
Grain	80	40

- (a) Country A
- (b) Country B
- (c) Neither A nor B
- (d) Both A and B



9. According to the theory of comparative advantage:

- (a) trade is zero-sum game so that the net change in wealth or benefits among the participants is zero.
- (b) trade is not a zero-sum game so that the net change in wealth or benefits among the participants is positive
- (c) nothing definite can be said about the gains from trade
- (d) gains from trade depends upon factor endowment and utilization

10. Given the number of labour hours to produce wheat and rice in two countries and that these countries specialise and engage in trade at a relative price of 1:1 what will be the gain of country X?

Labour Cost (hours) for production of one unit

	Wheat	Rice
Country X	10	20
Country Y	20	10

- (a) 20 labour hours
- (b) 10 labour hours
- (c) 30 labour hours
- (d) Does not gain anything

11. Assume India and Bangladesh have the unit labour requirements for producing tables and mats shown in the table below. It follows that:

Labour cost (hours) for production of one unit

	India	Bangladesh
Tables	3	8
Mats	2	1

- (a) Bangladesh has a comparative advantage in mats
- (b) India has a comparative advantage in tables
- (c) Bangladesh has an absolute advantage in mats
- (d) All the above are true

12. Comparative advantage refers to:

- (a) a country's ability to produce some good or service at the lowest possible cost compared to other countries
- (b) a country's ability to produce some good or service at a lower opportunity cost than other countries.
- (c) Choosing a productive method which uses minimum of the abundant factor
- (d) (a) and (b) above

13. Ricardo explained the law of comparative advantage on the basis of:

- (a) opportunity costs
- (b) the law of diminishing returns
- (c) economies of scale
- (d) the labour theory of value

14. The theory given by Swedish economists "Eli Heckscher and Bertil Ohlin" is also known as:

- (a) The Heckscher - Ohlin theory of trade
- (b) Factor - Endowment theory of trade
- (c) Modern theory of trade
- (d) All of the above

## Unit 2 : The Instruments of Trade Policy

### Tariff: Forms and Effects

15. A specific tariff is:

- (a) a tax on a set of specified imported good.
- (b) an import tax that is common to all goods imported during a given period
- (c) a specified fraction of the economic value of an imported good
- (d) a tax on imports defined as an amount of currency per unit of the good

16. Tariff can be based on \_\_\_\_\_

- (a) Quantity only
- (b) Value of Import
- (c) Quantity and/or value
- (d) None of these



17. When a specified amount of tariff is charged per unit of the product (e.g., ₹ 1000 per tonne of cement), then it is categorized as \_\_\_\_\_.  
 (a) Specific Duty  
 (b) Ad valorem Duty  
 (c) A Compound Duty  
 (d) Value Duty
18. Tariff levied as a percentage of value of product is termed as \_\_\_\_\_.  
 (a) Specific Duty  
 (b) Fixed Duty  
 (c) Ad valorem Duty  
 (d) A Compound Duty
19. The tariff rate is ₹ 500 per tonne plus 10 per cent of the value of the product imported. This type of tariff is termed as \_\_\_\_\_.  
 (a) Fixed Rate Duty  
 (b) Variable Rate Duty  
 (c) Ad valorem Duty  
 (d) Compound Duty
20. The Government has imposed tariff as under:  
 ₹ 3000 on each solar panel plus ₹ 50 per kg on the battery.  
 What is the type of tariff?  
 (a) Specific Tariff  
 (b) *ad valorem* Tariff  
 (c) Compound Tariff  
 (d) Technical Tariff
21. \_\_\_\_\_ is calculated on the basis of both the value of the imported goods (an *ad valorem* duty) and a Unit of measure of the imported goods (a specific duty).  
 (a) Compound Tariff  
 (b) *Ad valorem* Duty  
 (c) Technical Tariff  
 (d) Tariff Rate Quotas
22. \_\_\_\_\_ tariffs refers to import tariffs. Which countries promise to impose on imports from other members of two WTO. Unless the country is a part of preferential trade agreement.  
 (a) MFN  
 (b) MTN  
 (c) CFN  
 (d) CTN
23. Escalated tariff refers to :  
 (a) Nominal tariff rates on raw materials which are greater than tariffs on manufactured products  
 (b) Nominal tariff rates on manufactured products which are greater than tariffs on raw materials  
 (c) A tariff which is escalated to prohibit imports of a particular good to protect domestic industries  
 (d) None of the above
24. What is the type of tariff which is set so high that no imports can enter?  
 (a) Restricted Tariff  
 (b) Prohibitive Tariff  
 (c) Anti-Dumping Duty  
 (d) None of these
25. Dumping occurs when manufactures sell goods in a Foreign country \_\_\_\_\_.  
 (a) Below the Sales prices in their domestic market  
 (b) Below their full average cost of the product  
 (c) Free of cost  
 (d) Either (a) or (b)



- 26.** Anti-dumping duties are:
- (a) Additional import duties so as to offset the effects of exporting firm's unfair charging of prices in the foreign market which are lower than production costs
  - (b) Additional import duties so as to offset the effects of exporting firm's increased competitiveness due to subsidies by government
  - (c) Additional import duties so as to offset the effects of exporting firm's unfair charging of lower prices in the foreign market
  - (d) Both (a) and (b) above
- 27.** A countervailing duty is
- (a) a tariff that aim to offset artificial-ly low prices charged by exporters who enjoy export subsidies and tax concessions in their home country.
  - (b) charged by importing countries to ensure fair and market-orient-ed pricing of imported products.
  - (c) charged by importing countries to protect domestic industries and firms from unfair price ad-vantage arising from subsidies.
  - (d) All of the above
- 28.** Which of the following is an outcome of tariff?
- (a) Create obstacles to trade and increase the volume of imports and exports
  - (b) Domestic consumers enjoy consumer surplus because consumers must now pay only a lower price for the good.
  - (c) Discourage domestic consumers from consuming imported foreign goods and encourage consumption of domestically produced import substitutes.
  - (d) Increase government revenues of the importing country by more than value of the total tariff it charges.
- 29.** Which of the following is not a negative outcome of tariff? [June 2024]
- (a) Decreases revenue to the government
  - (b) Producers of the importing country increases the well being
  - (c) Domestic consumers suffer a loss in consumer surplus
  - (d) By ignoring comparative advantage, tariffs discourage efficient product in the rest of the world
- 30.** A tariff on imports is beneficial to domestic producers of the imported good because
- (a) they get a part of the tariff revenue.
  - (b) it raises the price for which they can sell their product in the domestic market.
  - (c) it determines the quantity that can be imported to the country.
  - (d) it reduces their producer surplus, making them more efficient.
- Non-Tariff Measures (NTMs)**
- 31.** Which of the following is not a non-tariff barrier?
- (a) Complex documentation requirements
  - (b) Import quotas on specific goods
  - (c) Countervailing duties charged by importing country
  - (d) Pre-shipment product inspection and certification requirements
- 32.** Non-Tariff Barriers (NTBs) include all of the following except:
- (a) import quotas
  - (b) tariffs
  - (c) export subsidies
  - (d) technical standards of products



33. SPS measures and TBTs are:
- permissible under WTO to protect the interests of countries.
  - may result in loss of competitive advantage of developing countries.
  - increases the costs of compliance to the exporting countries.
  - All of the above
34. \_\_\_\_\_ measures of NTMs refer to product-specific properties such as characteristics of the product, technical specifications and production processes.
- Financial
  - Standard
  - Technical
  - Non-Technical
35. Which of the following is NOT a component of Technical measures under Non-Tariff Measures?
- Import Quota
  - Characteristics of the Product
  - Technical Specifications
  - Production Processes
36. \_\_\_\_\_ is a total ban imposed by government on import or export of some or all commodities to particular country or regions for a specified or indefinite period.
- Embargos
  - Anti-Dumping
  - SPS
  - TBT
37. A total ban imposed by the government on imports or export of some or all commodities to particular country or regions for a specified or indefinite period is termed as [June 2024]
- Embargos
  - Safeguard measure
  - Distribution restrictions
  - Restrictive measures

### Export Related Measures

38. Voluntary export restraints involve:
- an importing country voluntarily restraining the quantity of goods that can be exported into the country during a specified period of time.
  - domestic firms agreeing to limit the quantity foreign products sold in their domestic markets.
  - an exporting country voluntarily restraining the quantity of goods that can be exported out of a country during a specified period of time.
  - quantitative restrictions imposed by the importing country's government.
39. Due to shortage in domestic market, Government has prohibited the export of onion. This export related measure can be categorized as
- Ban' on Exports
  - Export Taxes
  - Export Subsidies
  - Voluntary Export Restraints

### Unit 3: Trade Negotiations

#### Taxonomy of Regional Trade Agreements (RTAs)

40. \_\_\_\_\_ has a group of countries that have a free Trade agreement between themselves and may apply a common external tariff to other countries.
- Trading Centers
  - Free-Trade Area
  - Trading Bloc
  - Common market
41. Group of countries that have a free trade agreement between themselves and may apply a common external tariff to other countries is referred as \_\_\_\_\_ [June 2024]
- Trading Block
  - Free-trade area
  - Customs union
  - Economic and monetary union



42. \_\_\_\_\_ is a group of countries that eliminate all tariff and quota barriers on trade with the objective of increasing exchange of goods with each other.
- Customs Union
  - Free-Trade Area
  - Common Trade Area
  - Unilateral Trade Agreements

### **The General Agreement on Tariffs and Trade (GATT)**

43. The General Agreement on Tariffs and Trade Covers \_\_\_\_\_ trade in \_\_\_\_\_.
- National, goods
  - International, goods
  - National, Services
  - International, Services
44. GATT was established in the year [June 2024]
- |          |          |
|----------|----------|
| (a) 1945 | (b) 1948 |
| (c) 1995 | (d) 2014 |
45. The GATT lost its relevance by the \_\_\_\_\_.
- |          |          |
|----------|----------|
| (a) 1975 | (b) 1980 |
| (c) 1982 | (d) 1985 |
46. What is the reason behind losing its relevance by GATT by the 1980's?
- Substantial Expansion of inter-national investments.
  - Non-coverage of intellectual property rights and trade in services by GATT
  - Ambiguities in the multilateral System
  - All of the above

### **The Uruguay Round and the Establishment of WTO**

47. Which of the following culminated in the establishment of the World Trade Organization?
- The Doha Round
  - The Tokyo Round
  - The Uruguay Round
  - The Kennedy Round

48. The World Trade Organization (WTO).
- has now been replaced by the GATT
  - has an inbuilt mechanism to settle disputes among members.
  - was established to ensure free and fair trade internationally.
  - (b) and (c) above
49. The headquarters of WTO is in \_\_\_\_\_.
- USA
  - Switzerland
  - Australia
  - Germany
50. Which of the following is covered under protection of intellectual properties (TRIPS)?
- Copyrights, Trade Marks and Patents.
  - Geographical indications, industrial designs and patents.
  - Layout designs of integrated circuits and undisclosed information (i.e. trade secrets).
  - All of the above.
51. The WTO accounts for about \_\_\_\_\_ of world trade.
- 50%
  - 70%
  - 85%
  - 95%
52. The WTO's top-level decision-making body is the \_\_\_\_\_ which can take decisions on all matters under any of the multilateral trade agreements.
- Ministerial conference
  - General council
  - Goods council
  - Services council and intellectual property council



53. The Ministerial conference, top decision making body of WTO, meets at least \_\_\_\_\_ to take decisions.
- (a) Once every year
  - (b) Twice every year
  - (c) Once every two years
  - (d) No such fixed frequency
54. Which of the following is/are responsible for overseeing the implementation of the WTO agreements?
- (a) Ministerial Conference
  - (b) General Council
  - (c) Goods Council, Services Council and Intellectual Property Council
  - (d) All of the above
55. Which of the following meets several times a year at the Geneva headquarters?
- (a) Ministerial Conference
  - (b) General Council
  - (c) Goods Council
  - (d) Services Council
56. The Goods Council, Services Council and Intellectual Property Council report to which of the following?
- (a) Ministerial Conference
  - (b) General Council
  - (c) Director General of WTO
  - (d) Both (a) and (b)
57. The essence of 'MFN principle' is:
- (a) equality of treatment of all member countries of WTO in respect of matters related to trade
  - (b) favour one, country, you need to favour all in the same manner
  - (c) every WTO member will treat all its trading partners equally without any prejudice and discrimination
  - (d) all the above
58. Under WTO agreements, the countries cannot normally discriminate between their trading partners. This is referred to as \_\_\_\_\_. [June 2024]
- (a) National Treatment (NT)
  - (b) Most Favoured Nation (MFN)
  - (c) Promoting Fair Competition (PFC)
  - (d) Free Trade through Negotiation (FTN)
59. The 'National treatment' principle stands for.
- (a) the procedures within the WTO for resolving disagreements about trade policy among countries
  - (b) the principle that imported products are to be treated no worse in the domestic market than the local ones.
  - (c) exported products are to be treated no worse in the domestic market than the local ones
  - (d) imported products should have the same tariff, no matter where they are imported from
60. 'Bound tariff refers to:
- (a) clubbing of tariffs of different commodities into one common measure.
  - (b) the lower limit of the tariff below which a nation cannot be taxing its imports
  - (c) the upper limit on the tariff that a country can levy on a particular good, according to its commitments under the GATT and WTO.
  - (d) the limit within which the country's export duty should fall so that there are cheaper exports
61. Which of the following is True for "Free-Trade" principle of WTO?
- (a) Member countries to reduce tariff and non-tariff barriers to encourage free-trade.
  - (b) Quantitative restrictions are prohibited.
  - (c) Developing and other countries facing difficulties in their balance of payments are allowed to reduce trade barriers gradually.
  - (d) All of the above





62. The Agreement on Agriculture includes explicit and binding commitments made by WTO Member governments.
- on increasing agricultural productivity and rural development.
  - market access and agricultural credit support.
  - market access, domestic support and export subsidies.
  - market access, import subsidies and export subsidies.
63. The Agreement on Textiles and Clothing.
- provides that textile trade should be deregulated gradually and the
  - replaced the Multi-Fiber Arrangement (MFA) which was prevalent since 1974
  - granted rights of textile exporting countries to increase tariffs to protect their domestic textile industries
  - stipulated that tariffs in all countries should be the same
64. The Agreement on Trade-Related Aspects of Intellectual Property Rights.
- stipulates to administer a system of enforcement of intellectual property rights
  - provides for most-favoured-nation treatment and national treatment for intellectual properties
  - mandates to maintain high levels of intellectual property protection by all members
  - All of the above
65. TPRM Stands for \_\_\_\_\_.
- Trade Policy Review Mechanism
  - Trade Practices Regulatory Measures
  - Transparent Practices Regulatory Mechanism
  - None of these

66. TRIM stands for \_\_\_\_\_.
- Trade Policy International Mechanism
  - Trade Related Investment Measures
  - Transparent Reforms Inherent Mechanism
  - None of these

#### The Doha Round

67. Which of the following is NOT the member of G20?
- |               |               |
|---------------|---------------|
| (a) Mexico    | (b) India     |
| (c) Singapore | (d) Indonesia |
68. Where was the first submit of G20 held?
- |            |             |
|------------|-------------|
| (a) USA    | (b) Britain |
| (c) France | (d) Canada  |

#### Unit 4 : Exchange Rate and Its Economic Effects

##### The Exchange Rate Regimes

69. Choose the correct statement.
- An indirect quote is the number of units of a local currency exchangeable for one unit of a foreign currency.
  - The fixed exchange rate regime is said to be efficient and highly transparent.
  - A direct quote is the number of units of a local currency exchange-able for one unit of a foreign currency.
  - Exchange rates are generally fixed by the central bank of the country.
70. Number of units of a foreign currency can be exchanged for one unit of local currency is referred to as \_\_\_\_\_. [June 2024]
- Direct Quote
  - Indirect Quote
  - European Currency
  - Cross Quotes





71. Which of the following is NOT the merit of fixed Exchange Rate System?

- (a) Stability in the Exchange Rate
- (b) Prevent speculative activities
- (c) Huge Foreign Exchange Reserve required
- (d) Promotes International Investment

72. \_\_\_\_\_ refers to reduction in price of domestic currency in terms of all Foreign currencies under fixed exchange rate regime.

- (a) Depreciation                      (b) Devaluation
- (c) Revaluation                      (d) None of the above

73. Which of the following statement is true?

- (a) Home-currency appreciation or foreign-currency depreciation takes place when there is a decrease in the home currency price of foreign currency.
- (b) Home-currency depreciation takes place when there is an increase in the home currency price of the foreign currency
- (c) Home-currency depreciation is the same as foreign-currency appreciation and implies that the home currency has become relatively less valuable.
- (d) All of the above

74. Match the following by choosing the term which has the same meaning.

- (i) floating exchange rate
- (ii) pegged exchange rate
- (iii) devaluation
- (iv) appreciation
- (a) fixed exchange rate
- (b) depreciation
- (c) revaluation
- (d) flexible exchange rate
- (a) (i c); (ii d); (iii b); (iv a);
- (b) (i b); (ii a); (iii d); (iv c);
- (c) (i a); (ii d); (iii b); (iv c);
- (d) (i d); (ii a); (iii b); (iv c);

### Nominal Versus Real Exchange Rates

75. On which of the following factors, the real exchange rate depends?

- (a) Nominal Exchange Rate
- (b) Domestic Price
- (c) Foreign Price
- (d) All of the above

76. When studying the economy as a whole, which ratio is used in the determination of Real Exchange Rate?

- (a)  $\frac{\text{Domestic Price}}{\text{Foreign Price}}$
- (b)  $\frac{\text{Foreign Price}}{\text{Domestic Price}}$
- (c)  $\frac{\text{Domestic Price Index}}{\text{Foreign Price Index}}$
- (d)  $\frac{\text{Foreign Price Index}}{\text{Domestic Price Index}}$

77. An increase in Real Effective Exchange Rate (REER) implies that \_\_\_\_\_.

- (a) Exports become more expensive
- (b) Imports become cheaper
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

78. The price indices are used, when studying the economy as a whole, for determination of Real Exchange Rate. Which of the following formulas is used for this?

- (a) Nominal Exchange Rate  $\times \frac{\text{Domestic Price Index}}{\text{Foreign Price Index}}$
- (b) Real Exchange Rate  $\times \frac{\text{Domestic Price Index}}{\text{Foreign Price Index}}$
- (c) Nominal Exchange Rate  $\times \frac{\text{Foreign Price Index}}{\text{Domestic Price Index}}$
- (d) Real Exchange Rate  $\times \frac{\text{Foreign Price Index}}{\text{Domestic Price Index}}$



### The Foreign Exchange Market

79. 'Vehicle Currency' refers to:
- a currency that is widely used to denominate international contracts made by parties because it is the national currency of either of the parties.
  - a currency that is traded internationally and, therefore, is in high demand.
  - a type of currency used in euro area for synchronization of exchange rates
  - a currency that is widely used to denominate international contracts made by parties even when it is not the national currency of either of the parties.
80. In case of spot trading, the settlement is done by and large in \_\_\_\_\_ days.
- Same
  - One
  - Two
  - Three
81. The forward exchange rate is always \_\_\_\_\_ the spot exchange rate.
- Equal to
  - more than
  - less than
  - Any of the above
82. If the forward exchange rate is quoted at more than a spot exchange rate, then there is a \_\_\_\_\_.
- forward premium
  - forward discount
  - Spot Premium
  - Spot discount
83. In the case of forward dis-count, the forward exchange rate is \_\_\_\_\_ the spot exchange rate.
- more than
  - less than
  - equal to
  - Either (a) or (b)
84. When one currency depreciates against another, the second currency must \_\_\_\_\_ against the first.
- also depreciate
  - appreciate after some time
  - simultaneously depreciate
  - simultaneously appreciate.
85. All else equal, which of the following is true if consumers of India develop taste for imported commodities and decide to buy more from the US?
- The demand curve for dollars shifts to the right and Indian Rupee appreciates.
  - The supply of US dollars shrinks and, therefore, import prices decrease.
  - The demand curve for dollars shifts to the right and Indian Rupee depreciates.
  - The demand curve for dollars shifts to the left and leads to an increase in exchange rate.
86. An increase in the supply of foreign exchange:
- shifts the supply curve to the right and as a consequence, the exchange rate declines.
  - shifts the supply curve to the right and as a consequence, the exchange rate increases.
  - more units of domestic currency are required to buy a unit of foreign exchange.
  - the domestic currency depreciates and the foreign currency
87. Under a floating rate system, if the demand for Foreign currency increases and supply curve remains unchanged, then the exchange value of \_\_\_\_\_ rises and the \_\_\_\_\_ depreciates in value.
- domestic currency, foreign Currency
  - Foreign currency, domestic currency
  - domestic currency, outside currency
  - None of these
88. Which of the following is INCORRECT?
- An increase in the supply of Foreign exchange shifts the supply curve to the right.
  - An increase in demand of Foreign currency shift the demand curve to the right.
  - An increase in demand with no change in supply will bring an increase in the equilibrium exchange rate.
  - None of the above



### Devaluation and Appreciation

89. Currency devaluation:
- may increase the price of imported commodities and, therefore, reduce the international competitiveness of domestic industries.
  - may reduce export prices and increase the international competitiveness of domestic industries
  - may cause a fall in the volume of exports and promote consumer welfare through increased availability of goods and services
  - (a) and (c) above
90. Which one of following is in-correct?
- Revaluation refers to a discrete official increase of the otherwise fixed par value of a nation's currency.
  - Devaluation is a monetary policy tool.
  - Depreciation is a decrease in a currency's value due to market forces of demand and supply under a floating exchange rate.
  - None of the above

### Impacts of Exchange Rate Fluctuations on Domestic Economy

91. If currency depreciates in an economy, where the exports are significantly high and the exports originate from labour - intensive industries, then what will happen?
- Increase in Export Prices
  - Increase in employment
  - Increase in wages
  - All of the above
92. Which of the following is NOT a consequences of appreciation, on real economy?
- Rise in price of exports
  - Reduction in levels of inflation
  - Insignificant loss of competitive-ness
  - Positive effect on domestic industry.

### Unit 5 : International Capital Movement

#### Types of Foreign Capital

93. Which of the following is a component of foreign capital?
- Direct inter government loans
  - Loans from international institutions (e.g. World Bank, IMF, ADB)
  - Soft loans for e.g. from affiliates of World Bank such as IDA
  - All of the above
94. Which of the following is a form of Borrowings?
- Direct Inter government loans.
  - Loans from international institutions (e.g. World Bank, IMF, ADB).
  - External Commercial Borrowings.
  - All of the above.
95. Which of the following is NOT a Component of Foreign Capital Flows?
- Foreign aid or assistance
  - Borrowings/loans from international institutions.
  - FDI in industrial, commercial and similar other enterprises.
  - Deposits of Resident Indians.

#### Foreign Direct Investment (FDI)

96. Which of the following statements is incorrect?
- Direct investments are real investments in factories, assets, land, inventories etc. and involve foreign ownership of production facilities.
  - Foreign portfolio investments involve the flow of 'financial capital'.
  - Foreign Direct Investment (FDI) is not concerned with either manufacture of goods or with provision of services.
  - Portfolio capital moves to a recipient country which has revealed its potential for higher returns and profitability.



97. Not a component of FDI according to IMF:  
[June 2024]

- (a) Equity capital
- (b) Reinvestment earnings
- (c) Portfolio investments
- (d) Intra company loans

#### Foreign Portfolio Investment (FPI)

98. Which of the following statement is false in respect of FPI?

- (a) Portfolio capital in general, moves to investment in financial stocks, bonds and other financial instruments.
- (b) Is effected largely by individuals and institutions through the mechanism of capital market.
- (c) Is difficult to recover as it involves purely long-term investments and the investors have controlling interest.
- (d) Investors also do not have any intention of exercising voting power or controlling or managing the affairs of the company.

99. The Foreign Portfolio Investment (FPI) is NOT concerned with\_\_\_\_\_.

- (a) manufacture of goods
- (b) provision of services
- (c) the intention of exercising voting power
- (d) all of the above

#### FDI: Reasons, Modes and Benefits

100. Which of the following is a rea-son for foreign direct investment?

- (a) Secure access to minerals or raw materials
- (b) Desire to capture of large and rap-idly growing emerging markets
- (c) Desire to influence home country industries
- (d) (a) and(b) above

101. An argument in favour of direct foreign investment is that it tends to:

- (a) promote rural development
- (b) increase access to modern technology
- (c) protect domestic industries
- (d) keep inflation under control

102. What is the Ad valorem tariff? [May 2025]

- (a) The fixed amount of money per physical unit or weight of commodity imported or exported
- (b) A fixed time period for tariff application per calendar year
- (c) The duty levied as a fixed percentage of the value of the traded commodity
- (d) A flat rate imposed regardless of the product's value

103. A tariff that is set so high that no imports can enter is known as \_\_\_\_\_ [May 2025]

- (a) Prohibitive Tariff
- (b) Bound tariff
- (c) Escalated Tariff
- (d) Variable Tariff

104. Which of these countries is part of the USMCA Agreement? [May 2025]

- (a) Mexico
- (b) Malta
- (c) Malaysia
- (d) Mongolia

105. Which one of these is the main reason why GATT lost its relevance by 1980? [May 2025]

- (a) Efforts at liberalizing agricultural trade were successful
- (b) International investments did not expand substantially
- (c) GATT was a treaty
- (d) There were inadequacies in institutional structure and dispute settlement system



**106.** The Value of the product or service is enhanced as the number of individuals using it increases. What effect is this? [May 2025]

- (a) Veblen Effect
- (b) Bandwagon Effect
- (c) Income Effect
- (d) Snob Effect

**107.** Match the following: [May 2025]

Table A	Table B
(a) Has a long term interest and is invested for long	(i) Foreign Portfolio Investment
(b) Speculative in Nature	(ii) Foreign Direct Investment
(c) Help developing countries benefit fully from global trading system	(iii) Free Floating exchange rate system
(d) Government and central banks do not participate in the market for foreign exchange	(iv) World Trade Organization

- (a) (a)-(ii), (b)-(i), (c)-(iv), (d)-(iii)
- (b) (a)-(i), (b)-(ii), (c)-(iv), (d)-(iii)
- (c) (a)-(ii), (b)-(i), (c)-(iii), (d)-(iv)
- (d) (a)-(i), (b)-(ii), (c)-(iii), (d)-(iv)

**108.** An investment in which one investor establishes a business activity in a foreign country which is different from investor's main business activity but in some way supplements its major activity is called \_\_\_\_\_ [May 2025]

- (a) Horizontal direct investment
- (b) Vertical investment
- (c) Conglomerate type of FDI
- (d) Two way direct foreign investment

**109.** The most controversial topic for Doha Development Agenda was [May 2025]

- (a) The Labour Welfare
- (b) World Peace
- (c) Globalization
- (d) Agriculture Trade

**110.** An appreciation of currency or strong currency makes the domestic currency more \_\_\_\_\_ therefore it can be exchanged for a \_\_\_\_\_ amount of foreign currency. [May 2025]

- (a) Weaker, smaller (b) Valuable, larger
- (c) Weaker, larger (d) Valuable, Smaller

**111.** Factor Endowment Theory of trade is also known as \_\_\_\_\_ [Jan. 2025]

- (a) Baumol and Tobin theory
- (b) Adam Smith, Absolute Cost Advantage theory
- (c) Heckscher-Ohlin theory
- (d) Factor Price Equalization theory

**112.** Which tariff is calculated on the basis of specific contents of the imported goods (duties are payable by its components or related items)? [Jan. 2025]

- (a) Compound tariff (b) Mixed tariff
- (c) Ad valorem tariff (d) Technical tariff

**113.** Which tariff is expressed either on the basis of the value of the imported goods or on the basis of a unit of measure of the imported goods depending on which generates the most income (or least income at times) for the country? [Jan. 2025]

- (a) Ad valorem tariff (b) Specific tariff
- (c) Mixed tariff (d) Compound tariff

**114.** The system wherein the nominal tariff rates on imports of manufactured goods are higher than the nominal tariff rates on intermediate inputs and raw materials is known as \_\_\_\_\_ [Jan. 2025]

- (a) Applied tariff (b) Escalated tariff
- (c) Bound tariff (d) Preferential tariff

**115.** Which of the following is a measure to protect human, animal or plant life from risks arising out of additives, pests, toxins, etc. and to protect the biodiversity? [Jan. 2025]

- (a) Prohibited tariff
- (b) Sanitary and phytosanitary measures
- (c) Technical barriers to trade
- (d) Anti-dumping duties



- 116.** With regards to international trade the European Union can be categorized as a \_\_\_\_\_. [Jan. 2025]
- (a) Trading bloc
  - (b) Free trade area
  - (c) Bilateral agreements
  - (d) Customs union
- 117.** Investments which are reciprocal investments between countries are referred to as \_\_\_\_\_. [Jan. 2025]
- (a) Horizontal direct investment
  - (b) Vertical direct investment
  - (c) Two-way direct foreign investment
  - (d) Conglomerate foreign investment
- 118.** A total ban imposed by the Government on imports or exports of some or all commodities to a particular country or regions for a specified or indefinite period is known as \_\_\_\_\_. [Jan. 2025]
- (a) Prohibitive tariff
  - (b) Anti-dumping duties
  - (c) Embargo
  - (d) Rules of origin
- 119.** The theory of Comparative Advantage in International Trade was presented by \_\_\_\_\_. [Jan. 2025]
- (a) Adam Smith
  - (b) David Ricardo
  - (c) John Maynard Keynes
  - (d) Milton Friedman



## Answer Key

1. (b)	31. (c)	61. (d)	91. (d)
2. (c)	32. (b)	62. (c)	92. (d)
3. (b)	33. (d)	63. (b)	93. (d)
4. (a)	34. (c)	64. (d)	94. (d)
5. (c)	35. (a)	65. (a)	95. (d)
6. (b)	36. (a)	66. (b)	96. (c)
7. (d)	37. (a)	67. (c)	97. (c)
8. (b)	38. (c)	68. (a)	98. (c)
9. (b)	39. (a)	69. (c)	99. (d)
10. (b)	40. (c)	70. (b)	100. (d)
11. (d)	41. (a)	71. (c)	101. (b)
12. (b)	42. (b)	72. (b)	102. (c)
13. (d)	43. (b)	73. (d)	103. (a)
14. (d)	44. (b)	74. (d)	104. (a)
15. (d)	45. (b)	75. (d)	105. (d)
16. (c)	46. (d)	76. (c)	106. (b)
17. (a)	47. (c)	77. (c)	107. (a)
18. (c)	48. (d)	78. (a)	108. (b)
19. (d)	49. (b)	79. (d)	108. (d)
20. (d)	50. (d)	80. (c)	110. (b)
21. (a)	51. (d)	81. (d)	111. (c)
22. (a)	52. (a)	82. (a)	112. (d)
23. (b)	53. (c)	83. (b)	113. (c)
24. (b)	54. (c)	84. (d)	114. (b)
25. (d)	55. (b)	85. (c)	115. (b)
26. (d)	56. (b)	86. (a)	116. (d)
27. (d)	57. (d)	87. (b)	117. (c)
28. (c)	58. (b)	88. (d)	118. (c)
29. (b)	59. (b)	89. (b)	119. (b)
30. (b)	60. (c)	90. (d)	





## Hints and Solution

1. (b)
2. (c)
3. (b)
4. (a)
5. (c)
6. (b)
7. (d)
8. (b)
9. (b)
10. (b)
11. (d)
12. (b)
13. (d)
14. (d)
15. (d)
16. (c)
17. (a)
18. (c)

19. (d)  
Compound Duty is a tariff that combines both per unit and percentage of value.
20. (d)  
It is technical tariff since it has been calculated on the basis of the specific contents of the imported goods *i.e.*, The duties are payable by its components or related items.
21. (a)
22. (a)  
These are Most – Favored Nation (MFN) tariffs.
23. (b)
24. (b)
25. (d)
26. (d)
27. (d)
28. (c)
29. (b)
30. (b)
31. (c)
32. (b)
33. (d)
34. (c)



- 35. (a)
- 36. (a)
- 37. (a)
- 38. (c)
- 39. (a)
- 40. (c)
- 41. (a)
- 42. (b)
- 43. (b)
- 44. (b)
- 45. (b)
- 46. (d)
- 47. (c)
- 48. (d)
- 49. (b)
- 50. (d)
- 51. (d)
- 52. (a)
- 53. (c)
- 54. (c)
- 55. (b)

- 56. (b)
- 57. (d)
- 58. (b)
- 59. (b)
- 60. (c)
- 61. (d)
- 62. (c)
- 63. (b)
- 64. (d)
- 65. (a)
- 66. (b)
- 67. (c)
- 68. (a)  
The first summit of the G20 was held in Washington (USA) in 2008.
- 69. (c)
- 70. (b)
- 71. (c)  
The option (c) is a demerit because Government has to maintain large reserves of Foreign currencies to maintain the exchange rate at the level fixed by it.
- 72. (b)
- 73. (d)
- 74. (d)



75. (d)

76. (c)

77. (c)

78. (a)

79. (d)

80. (c)

81. (d)

82. (a)

83. (b)

84. (d)

85. (c)

86. (a)

87. (b)

88. (d)

89. (b)

90. (d)

91. (d)

92. (d)

With increasing export prices, the competitiveness of domestic industry is adversely affected. Thus, option (d) is not a consequence of appreciation.

93. (d)

94. (d)

95. (d)

96. (c)

97. (c)

98. (c)

99. (d)

100. (d)

101. (b)

102. (c)

103. (a)

104. (a)

105. (d)

106. (b)

107. (a)

108. (b)

109. (d)

110. (b)

111. (c)

112. (d)

113. (c)

114. (b)

115. (b)



116. (d)

118. (c)

117. (c)

119. (b)



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