



Question Bank - Multiple Choice Questions (MCQs)

Unit 1: Introduction to International Trade

- 1) How is comparative advantage defined?
 - a) You produce the things you are especially good at, and buy from others, the goods you are less efficient in producing.
 - b) To produce and consume all goods without trade.
 - c) How the world actually works.
 - d) Globalization, growing economic linkages among countries.
- 2) What are the four factor endowments?
 - a) National resources, labor, physical capital and human capital
 - b) Types of technology
 - c) Material inputs used up in the process of production
 - d) International differences in climate
- 3) The Heckscher- Ohlin model is principally focused on what aspect of economics?
 - a) International trade
 - b) Supply and demand
 - c) Normative economics
 - d) Production possibility frontier
- 4) A no-trade world will have which of the following characteristics:
 - a) Countries will have same relative endowments of production factors
 - b) Consumers across countries will have identical and homogenous tastes
 - c) There will be no distortions or externalities
 - d) all of the above



- 5) Transportation cost of trade affects:
- a) pattern of trade
 - b) boundaries between tradable and non-tradable goods
 - c) Global supply chains
 - d) all of the above
- 6) Which of the following trade policies limits specified quantity of goods to be imported at one tariff rate?
- a) Quota
 - b) Import tariff
 - c) Specific tariff
 - d) All of the above
- 7) In the 2-factor, 2 good Heckscher-Ohlin model, the two countries differ in
- a) Military capabilities
 - b) labor productivities
 - c) relative availabilities of factors of production
 - d) tastes
- 8) Nations conduct international trade because:
- a) Some nations prefer to produce one thing while others produce other things.
 - 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
- 9) International Trade is most likely to generate short-term unemployment in:
- a) Industries in which there are neither imports nor exports
 - b) Import-competing industries
 - c) Industries that sell to domestic and foreign buyers.
 - d) Industries that sell to only foreign buyers



- 10) What was the first economic theory of international trade to be developed?
- a) The theory of mercantilism
 - b) The theory of comparative advantage
 - c) The theory of absolute advantage
 - d) The Heckscher-Ohlin theory
- 11) Mercantilists believed that a country could increase the amount of wealth it had by ____.
- a) Promoting exports and discouraging imports
 - b) Discouraging exports and promoting imports
 - c) Controlling imports and exports
 - d) Increasing both imports and exports
- 12) According to Adam Smith, the trade between countries should happen ____.
- a) Naturally according to the market forces
 - b) Under government regulation
 - c) Using factors that are available
 - d) Only when a country has an absolute advantage
- 13) If a nation has an open economy it means that the nation:
- a) Allows private ownership of capital.
 - b) Has flexible exchange rates
 - c) Has fixed exchange rates
 - d) Conducts trade with other countries
- 14) International trade forces domestic firms to become more competitive in terms of
- a) The introduction of new products
 - b) Product design and quality
 - c) Product price
 - d) All of the above
- 15) The movement to free international trade is most likely to generate short-term unemployment in which industries
- a) Industries in which there are neither imports nor exports
 - b) Import-competing industries.
 - c) Industries that sell to domestic and foreign buyers
 - d) Industries that sell to only foreign buyers



- 16) Increased foreign competition tend to
- a) Intensify inflationary pressure at home
 - b) Induce falling output per worker-hour for domestic workers
 - c) Place constraints on the wages of domestic workers
 - d) Increase profits of domestic import-competing industries

Use the information in the table below to answer the next three questions 17,18,19.

Country	Tons of steel	DVDs
South Korea	80	40
Japan	20	20

- 17) The opportunity cost of one DVD in Japan:
- a) One ton of steel
 - b) Two tons of steel
 - c) Three tons of steel
 - d) Four tons of steel
- 18) The opportunity cost of one DVD in South Korea is:
- a. One-half ton of steel
 - b. One ton of steel
 - c. One and one-half tons of steel
 - d. Two tons of steel
- 19) According to the principle of comparative advantage:
- a. South Korea should export steel
 - b. South Korea should export steel and DVDs
 - c. Japan should export steel
 - d. Japan should export steel and DVDs

Answer the next 4 questions 20,21,22,23 based on the production table below:

Country:(Output per Labor Hour)		
	A	B
Product X	3	9
Product Y	4	2



- 20) Country A has an absolute advantage in
- a) Product X
 - b) Product Y
 - c) Neither X nor Y
 - d) Both X and Y
- 21) Country B has an absolute advantage in
- a) Product X
 - b) Product Y
 - c) Neither X nor Y
 - d) Both X and Y
- 22) If the countries were to trade along the lines of absolute advantage:
- a) A would export X to B
 - b) B would import Y from A
 - c) Neither country would want to trade
- 23) If countries were to trade along the lines of comparative advantage:
- a) A would export X to B
 - b) A would export Y to B
 - c) Neither country would want to trade
- 24) Globalization refers to:
- a) Lower incomes worldwide
 - b) Less foreign trade and investment
 - c) Global warming and their effects
 - d) A more integrated and interdependent world
- 25) Comparative Cost Trade Theory is given by
- a) Adam Smith
 - b) David Ricardo
 - c) Gottfried Haberle
 - d) Heckscher Ohlin



- 26)is the payment method most often used in International Trade which offers the exporter best assurance of being paid for the products sold internationally.
- Bill of Lading
 - Letter of Credit
 - Open Account
 - Drafts
- 27) Key controllable factors in global marketing are:
- Government policy and legislation
 - social and technical changes
 - marketing activities and plans
 - all of the above.
- 28) The first phase of globalization started around 1870 and ended with
- World War I
 - World War II
 - The Establishment of GATT
 - In 1913 when GDP was High
- 29) According to this theory, the holdings of a country's treasure primarily in the form of gold constituted its wealth.
- Gold Theory
 - Ricardo Theory
 - Mercantilism
 - Heckscher Theory
- 30) The Theory of Absolute Cost Advantage is given by
- David Ricardo
 - Adam Smith
 - F W Taylor
 - Ohlin and Heckscher
- 31) The Theory of Relative Factor Endowments is given by
- David Ricardo
 - Adam Smith
 - c. F W Taussig
 - Ohlin and Hecksher



- 32) The theory of comparative cost advantage is given by
- a. David Ricardo
 - b. Adam Smith
 - c. F W Taussig
 - d. Ohlin and Heckscher

Unit 1 Answer Key:

1 - a	2 - a	3 - a	4 - d	5 - d	6 - a	7 - c	8 - b	9 - b	10 - a
11 - a	12 - d	13 - d	14 - d	15 - b	16 - c	17 - a	18 - d	19 - a	20 - b
21 - a	22 - b	23 - b	24 - d	25 - b	26 - b	27 - c	28 - a	29 - c	30 - b
31 - d	32 - a								

Unit 2: Multinational Enterprises

- 1) A national company becomes an MNC when it
- a) Makes a foreign direct investment
 - b) Takes out a foreign loan
 - c) Imports a foreign product
 - d) Exports a foreign product
 - e) Hires foreign workers
- 2) A multinational is a firm that controls and manages production facilities in
- a) Both developed and developing countries
 - b) At least two countries
 - c) One country but relies on multiple markets for the consumption of goods it produces
 - d) At least two developed countries and one developing country
 - e) One country, but relies on purchasing intermediate goods from companies in other countries
- 3) A foreign direct investment occurs when a company in country A invests in a company located in country B and thereby gives the investing company control over the management of the company receiving its investment. A company does not have to be the sole investor in the foreign company
- a) True
 - b) False



- 4) Locational advantages are based on which combination of the following specific country characteristics
 - a) A large reserve of natural resources, a large local market and efficiency opportunities
 - b) A small reserve of natural resources, a large local market and efficiency opportunities
 - c) A small reserve of natural resources, a small local market and efficiency opportunities
 - d) A large reserve of natural resources, a small local market and efficiency opportunities
 - e) A small reserve of natural resources, a large local market but few efficiency opportunities

- 5) Horizontal integration occurs when
 - a) Firm creates singular country production facilities, each of which produces different good or goods
 - b) Firm creates multiple production facilities, each of which produces the same good or goods.
 - c) Firm creates multiple production facilities, each of which produces different good or goods
 - d) Firm creates singular country facilities, each of which produces the same good or goods
 - e) Firm creates multiple production facilities, in multiple countries but with different technologies

- 6) Vertical integration refers to instances in which multinational corporations internalize (i.e., bring under their ownership and control) their transactions for intermediate goods
 - a) True
 - b) False

- 7) Which of the following is a definition of multinational enterprises?
 - a) A company employing foreign nationals.
 - b) A company headquartered in one country but having operations in other countries.
 - c) A company operating in emerging economies.
 - d) None of the above.

- 8) A company that invests in a controlling interest in a foreign company is best described as engaging in which of the following?
 - a) International investment
 - b) Foreign portfolio investment
 - c) Foreign indirect investment
 - d) Foreign direct investment
 - e) None of the answers are correct



9) Match the following.

(i) MNCs buy at cheap rates from small producers	(a) Automobiles producers
(ii) Quotas and taxes on imports are used to regulate trade items	(b) Garments, footwear, sports
(iii) Indian companies who have invested abroad	(c) Call centers
(iv) IT has helped in spreading of production of services	(d) Tata Motors, Infosys, Ranbaxy
(v) Several MNCs have invested in setting up factories in India for production	(e) Trade barriers

- a) i-b, ii-e, iii-d, iv-c, v-a
- b) i-a, ii-b, iii-d, iv-c, v-d
- c) i-d, ii-c, iii-a, iv-b, v-e

10) Which of the following would be an example of foreign direct investment from the United States to Taiwan?

- a) A U.S. bank buys bonds issued by a Taiwan computer manufacturer.
- b) A U.S. car manufacturer enters into a contract with a Taiwan firm to make and sell it spark plugs.
- c) Microsoft hires a Taiwanese computer programmer to debug some software for it.
- d) The state of California rents space in Taipei for one of its employees to use promoting tourism in California.

11) What is the connection, if any, between comparative advantage (CA) and foreign direct investment (FDI)?

- a) Nothing. CA has nothing to do with FDI.
- b) Countries often engage in FDI in industries where the country they invest in has a comparative advantage.
- c) When a country's firms invest abroad, this helps to create CA in the same industry at home.
- d) When a country's firms invest abroad, this helps to create CA in the same industry in the country where they undertake the investment.

12) If a German manufacturer of household appliances wants to take advantage of the cheaper labor available in the Czech Republic, which of the following actions will not serve that purpose?

- a) Build a manufacturing subsidiary there and employ Czech workers.
- b) Build a plant in the Czech Republic and send all German workers to operate it.
- c) License a Czech firm to produce its products under its own label.
- d) Contract for a Czech firm to do some of the processing for it.



- 13) Suppose that Mexico has previously had restrictions on inflows of foreign direct investment from all sources, including the United States. Then suppose that they remove those restrictions on flows from the United States in a particular industry, say hammocks. As a result, several hammock producers in the U.S. move production to Mexico via FDI. Indicate for each of the groups below whether you expect them to gain or to lose from this flow of investment.
- Workers previously employed in hammock production in the U.S. Gain / Lose
 - Workers previously employed in hammock production in Mexico. Gain / Lose
 - Owners of firms that move production to Mexico. Gain / Lose
 - Owners of U.S. hammock firms that do not move production to Mexico. Gain / Lose
 - Owners of firms in Mexico that previously produced hammocks. Gain / Lose
 - Consumers of hammocks (assume that there already was free trade in hammocks). Gain / Lose
- 14) Which of the following was created in an effort to promote free trade?
- World Trade Organization
 - the Sarbanes-Oxley Act
 - multilateral development banks
 - the Organization for Economic Cooperation and Development
- 15) . Removing barriers or restrictions set by the government is called:
- Liberalisation
 - Investment
 - Favorable trade
 - Free trade
- 16) Rapid integration or interconnection between countries is known as:
- Privatisation
 - Globalisation
 - Liberalisation
 - Socialisation
- 17) In which year did the government decide to remove barriers on foreign trade and investment in India?
- 1993
 - 1992
 - 1991
 - 1990



- 18) Theory of Mercantilism propagates
- Encourage exports and imports
 - Encourage exports and discourage imports
 - Discourage exports and imports
 - Discourage exports and encourage imports
- 19) Which is the right sequence of stages of Internationalization
- Domestic, Transnational, Global, International, Multinational
 - Domestic, International, Multinational, Global, Transnational
 - Domestic, Multinational, International, Transnational, Global
 - Domestic, International, Transnational, Multinational, Global
- 20) Subsidiaries consider the regional environment for policy / Strategy formulation is known as
- Polycentric Approach
 - Regionocentric Approach
 - Ethnocentric Approach
 - Geocentric Approach
- 21)is the application of knowledge which redefines the boundaries of global business
- Cultural Values
 - Society
 - Technology
 - Economy
- 22) . Which is not an Indian Multinational Company?
- Unilever
 - Asian Paints
 - Piramal
 - Wipro
- 23) 18. Select example of Indian Multinational Company
- Hindustan Unilever
 - Videocon
 - Cargill
 - Tesco



- 24)corporation produces in the home country or in a single country and focuses on marketing these products globally or vice a versa.
- a) Global
 - b) International
 - c) Transnational
 - d) None of the above
- 25) The -----company produces, markets, invests and operates across the world
- a) Global
 - b) International
 - c) Transnational
 - d) Multinational
- 26) Business across several countries with some decentralization of management decision making to subsidiaries is
- a) Global business.
 - b) Multinational business.
 - c) Transnational business.
 - d) Multi-regional business.
- 27) Immobility of labor among nations is
- a) Absolute.
 - b) Relatively of a higher degree than among regions in the same country.
 - c) Relatively easier than movement within the country.
 - d) Of the same degree as within the country.
- 28) The following factor does not differentiate international business from domestic business
- a) different currencies
 - b) product quality
 - c) product mobility
 - d) trade policies
- 29) Free international trade maximizes world output through
- a) Countries specializing in production of goods they are best suited for.
 - b) Reduction in taxes.
 - c) Increased factor income.
 - d) Encouraging competition.



- 30) International business does not result in the following
- a) Innovation is encouraged.
 - b) International cooperation is encouraged.
 - c) Imports are rendered cheap.
 - d) Consumption is minimized.
- 31) By entering into international business, a firm expects improvement in
- a) Marketing.
 - b) All spheres of marketing, operation and finance simultaneously.
 - c) Any or all spheres of marketing, operation and finance.
 - d) Finance only
- 32) By having business in different countries, a firm reduces
- a) credit risk.
 - b) political risk.
 - c) financial risk.
 - d) business risk.

Unit 2 Answer Key:

1 - a	2 - b	3 - a	4 - a	5 - b	6 - a	7 - b	8 - d	9 - a	10 - b
11 - b	12 - b	13 - *	14 - a	15 - a	16 - b	17 - c	18 - b	19 - b	20 - b
21 - c	22 - a	23 - b	24 - a	25 - c	26 - b	27 - b	28 - b	29 - a	30 - d
31 - c	32 - b								

*Ans: 13. a- lose, b-gain, c-gain, d-lose, e-lose, f-gain

Unit 3: International finance

- 1) IBRD (International Bank for Reconstruction and Development) also known as
- a) Exim Bank
 - b) World Bank
 - c) International Monetary fund
 - d) International Bank
- 2) Ultimatelywas replaced by theon 1st Jan 1995
- a) GATS, WTO
 - b) WTO, GATT
 - c) GATT, WTO
 - d) IMF, GATT



- 3) The world trade organization was formed in the year _____ with GATT as its basis.
- a) 1993
 - b) 1994
 - c) 1995
 - d) 1996
- 4) Geocentric staffing policy ensures best qualified people at suitable positions irrespective of their national and cultural differences.
- a) True
 - b) False
- 5) _____ is the first step in the internationalization process.
- a) License
 - b) Foreign Investment
 - c) Sales
 - d) Export
- 6) SMEs stands for:
- a) Small and Medium Entrepreneurs
 - b) Small Management of Enterprises
 - c) Small and Medium-sized Enterprises.
 - d) Societies for Managing Exports
- 7) The OECD stands for:
- a) Organization for Economic Co-operation and Development
 - b) Organization for Economic Coordination and Development
 - c) Organization for Environmental Cooperation and Development.
 - d) Organization for Environmental Control and Development
- 8) If portable disk players made in China are imported into the United States, the Chinese manufacturer is paid with
- a) international monetary credits.
 - b) dollars.
 - c) yuan, the Chinese currency.
 - d) euros, or any other third currency.



- 9) In the foreign exchange market, the _____ of one country is traded for the _____ of another country.
- currency; currency
 - currency; financial instruments
 - currency; goods
 - goods; goods
- 10) By definition, currency appreciation occurs when
- the value of all currencies falls relative to gold.
 - the value of all currencies rises relative to gold.
 - the value of one currency rises relative to another currency.
 - the value of one currency falls relative to another currency
- 11) A forward currency transaction:
- Is always at a premium over the spot rate
 - Means that delivery and payment must be made within one business day (USA/Canada) or two business days after the transaction date
 - Calls for exchange in the future of currencies at an agreed rate of exchange
 - Sets the future date when delivery of a currency must be made at an unknown spot exchange rate
- 12) Hedging is used by companies to:
- Decrease the variability of tax paid
 - Decrease the spread between spot and forward market quotes
 - Increase the variability of expected cash flows
 - Decrease the variability of expected cash flows
- 13) Exchange rates
- are always fixed
 - fluctuate to equate the quantity of foreign exchange demanded with the quantity supplied
 - fluctuate to equate imports and exports
 - fluctuate to equate rates of interest in various countries
- 14) If the U.S. dollar appreciates relative to the British pound,
- it will take fewer dollars to purchase a pound
 - it will take more dollars to purchase a pound
 - it is called a weakening of the dollar
 - both a & c



- 15) A floating exchange rate
- a) is determined by the national governments involved
 - b) remains extremely stable over long periods of time
 - c) is determined by the actions of central banks
 - d) is allowed to vary according to market forces
- 16) The Bretton Woods accord
- a) of 1879 created the gold standard as the basis of international finance
 - b) of 1914 formulated a new international monetary system after the collapse of the gold standard
 - c) of 1944 formulated a new international monetary system after the collapse of the gold standard
 - d) None of the above
- 17) A simultaneous purchase and sale of foreign exchange for two different dates is called
- a) currency devalue
 - b) currency swap
 - c) currency valuation
 - d) currency exchange
- 18) In 1944 international accord is recognized as
- a) Breton Wood Agreement
 - b) Exchange Agreement
 - c) International Trade
 - d) Fisher Effect
- 19) In a quote exchange rate, the currency that is to be purchase with another currency is called the
- a) liquid currency
 - b) foreign currency
 - c) local currency
 - d) base currency
- 20) An economist will define the exchange rate between two currencies as the:
- a) Amount of one currency that must be paid in order to obtain one unit of another currency
 - b) Difference between total exports and total imports within a country
 - c) Price at which the sales and purchases of foreign goods takes place
 - d) Ratio of import prices to export prices for a particular country



- 21) A forward contract to deliver British pounds for US dollars could be described either as _____ or _____)
- a) buying dollars forward; buying pounds forward
 - b) selling pounds forward; selling dollars forward
 - c) selling pounds forward; buying dollars forward
 - d) selling dollars forward; buying pounds forward
- 22) which of the following institutions can not be included in the international finance and monetary system
- e) WTO
 - f) Bank for International Settlements
 - g) IMF
 - h) World Bank
- 23) India's foreign exchange rate system is?
- a) Free float
 - b) Managed float
 - c) Fixed.
 - (d) Fixed target of band
- 24) India is facing continuous deficit in its balance of payments. In the foreign exchange market rupee is expected to
- a) Depreciate.
 - b) Appreciate.
 - c) Show no specific tendency.
 - d) Depreciate against currencies of the countries with positive balance of payment and appreciate against countries with negative balance of payment.
- 25) The demand for domestic currency in the foreign exchange market is indicated by the following transactions in balance of payment
- a) Export of goods and services
 - b) Import of goods and services.
 - c) Export of goods and services and capital inflows.
 - d) Import of goods and services and capital outflows.
- 26) The spot exchange rate _____.
- a) is the rate today for exchanging one currency for another for immediate delivery
 - b) is the rate today for exchanging one currency for another at a specific future date
 - c) is the rate today for exchanging one currency for another at a specific location on a specific future date
 - d) is the rate today for exchanging one currency for another at a specific location for immediate delivery



- 27) The price at which a market maker is prepared to buy (a currency) or borrow (money) is termed as
- spot rate
 - bid rate
 - ask price
 - forward rate
- 28) The _____ is especially well suited to offer hedging protection against transactions risk exposure.
- forward market
 - spot market
 - transactions market
 - inflation-rate market
- 29) Difference between buying and selling rates in an exchange rate is known as
- Strike price
 - Spread
 - Swap points
 - Spot rate
- 30) Exchange rate between currency A and currency B, given the values of currencies A and B with respect a third currency is known as
- Golden standard
 - Flexible exchange rate
 - Fixed exchange rate
 - Cross exchange rate
- 31) The swap arrangement where principal amounts are not exchanged, but periodical payments will be
- Currency swap
 - Cross currency interest swap
 - Interest rate swap.
 - Non-Financial swap.
- 32) What is FEMA?
- First Exchange Management Act
 - Foreign Exchequer Management Act
 - Foreign Exchange Management Act
 - d)Foreign Evaluation Management Act



- 33) _____ involve the exchange of currency the second day after the date on which the two foreign exchange traders agree to the transaction.
- Spot transactions
 - Outright forward transactions
 - FX swaps
 - Reverse transactions
- 34) Outright forward transactions involve the exchange of currency beyond three days at a fixed exchange rate, known as the:
- spot rate.
 - forward rate
 - FX swap rate.
 - reverse transaction rate
- 35) The biggest market for foreign exchange is which of the following?
- New York
 - Tokyo
 - London
 - China
- 36) The _____ is the price at which the trader is willing to buy foreign currency.
- offer
 - bid
 - spread
 - cross rate
- 37) Which of the following is the price at which the trader is willing to sell foreign currency?
- bid
 - spread
 - offer
 - cross rate
- 38)is only a legal agreement and it is not an institution, but is a permanent institution.
- GATT, WTO
 - WTO, GATT
 - WTO, IMF
 - IMF, GATT



- 39) The WTO was established to implement the final act of Uruguay Round agreement of
- a) MFA
 - b) GATT
 - c) TRIP's
 - d) UNO
- 40) WTO stands for
- a) World technology association
 - b) World time organization
 - c) World trade organization
 - d) World tourism organization
- 41) What is the name of the international organization that fosters monetary and financial cooperation and serves as a bank for central banks?
- a) WTO
 - b) EU
 - c) World Bank
 - d) Bank for International Settlements
- 42) Which of the following are institutional banks that provide financial support and professional advice for developing countries?
- a) A) multilateral development banks
 - b) B) central banks
 - c) C) investment banks
 - d) D) Barclays bank
- 43) In the foreign exchange market, the _____ of one country is traded for the _____ of another country.
- a) currency; currency
 - b) currency; financial instruments
 - c) currency; goods
 - d) goods; goods
- 44) Which of the following examples definitely illustrates a depreciation of the U.S. dollar?
- a) The dollar exchanges for 1 pound and then exchanges for 1.2 pounds.
 - b) The dollar exchanges for 250 yen and then exchanges for 275 francs.
 - c) The dollar exchanges for 100 francs and then exchanges for 120 yen.
 - d) The dollar exchanges for 120 francs and then exchanges for 100 francs



- 45) By definition, currency appreciation occurs when
- a) the value of all currencies falls relative to gold.
 - b) the value of all currencies rises relative to gold.
 - c) the value of one currency rises relative to another currency.
 - d) the value of one currency falls relative to another currency
- 46) A forward currency transaction:
- a) Is always at a premium over the spot rate
 - b) Means that delivery and payment must be made within one business day (USA/Canada) or two business days after the transaction date
 - c) Calls for exchange in the future of currencies at an agreed rate of exchange
 - d) Sets the future date when delivery of a currency must be made at an unknown spot exchange rate
 - e) None of the above is correct
- 47) Hedging is used by companies to:
- a) Decrease the variability of tax paid
 - b) Decrease the spread between spot and forward market quotes
 - c) Increase the variability of expected cash flows
 - d) Decrease the variability of expected cash flows
 - e) Increase the variability of tax paid
- 48) Interest rate swaps are usually possible because international financial markets in different countries are
- a) Efficient
 - b) Perfect
 - c) Imperfect
 - d) Both a & b
- 49) The exchange rate is the
- a) total yearly amount of money changed from one country's currency to another country's currency
 - b) total monetary value of exports minus imports
 - c) amount of country's currency which can be exchanged for one ounce of gold
 - d) price of one country's currency in terms of another country's currency
- 50) Exchange rates
- a) are always fixed
 - b) fluctuate to equate the quantity of foreign exchange demanded with the quantity supplied
 - c) fluctuate to equate imports and exports
 - d) fluctuate to equate rates of interest in various countries



- 51) If the U.S. dollar appreciates relative to the British pound,
- a) it will take fewer dollars to purchase a pound
 - b) it will take more dollars to purchase a pound
 - c) it is called a weakening of the dollar
 - d) both a & c
- 52) A speculator in foreign exchange is a person who
- a) buys foreign currency, hoping to profit by selling it at a higher exchange rate at some later date
 - b) earns illegal profit by manipulation of foreign exchange
 - c) causes differences in exchange rates in different geographic markets
 - d) None of the above
- 53) A floating exchange rate
- a) is determined by the national governments involved
 - b) remains extremely stable over long periods of time
 - c) is determined by the actions of central banks
 - d) is allowed to vary according to market forces
- 54) Under a gold standard,
- a) a nation's currency can be traded for gold at a fixed rate
 - b) a nation's central bank or monetary authority has absolute control over its money supply
 - c) new discoveries of gold have no effect on money supply or prices
 - d) a & b
- 55) The Bretton Woods accord
- a) of 1879 created the gold standard as the basis of international finance
 - b) of 1914 formulated a new international monetary system after the collapse of the gold standard
 - c) of 1944 formulated a new international monetary system after the collapse of the gold standard
 - d) None of the above
- 56) The current system of international finance is a
- a) gold standard
 - b) fixed exchange rate system
 - c) floating exchange rate system
 - d) managed float exchange rate system



57) Ask quote is for

- a) Seller
- b) Buyer
- c) Hedger
- d) Speculator

58) A simultaneous purchase and sale of foreign exchange for two different dates is called

- a) currency devalues
- b) currency swap
- c) currency valuation
- d) currency exchange

Unit 3 Answer Key:

1 - b	2 - c	3 - c	4 - a	5 - a	6 - c	7 - a	8 - c	9 - a	10 - c
11 - c	12 d-	13 b-	14 -a	15 - d	16 - c	17 - b	18 - a	19 -d	20 - a
21 - c	22 - a	23 - b	24 -a	25 -c	26-a	27-b	28-a	29-b	30-d
31-c	32-c	33-a	34-b	35-c	36-b	37-c	38-a	39-b	40-c
41-d	42-a	43-b	44-d	45-c	46-c	47-d	48-c	49-d	50-b
51-a	52-a	53-d	54-a	55-c	56-d	57-a	58-b		



Unit 4: Regional Economic Grouping

1. NAFTA stands for
 - a) North African trade association
 - b) North American free trade agreement
 - c) Northern Atlantic trade agreement
 - d) Northern association for trade

2. The basic objective of export Promotion Council is to promote and develop the Exports of the
 - a) Particular products of country
 - b) Only attractive projects of the country
 - c) Only services industry products of the country.
 - d) Overall exports of the country.

3. IPR stands for
 - a) Intellectual property rights
 - b) International property rights
 - c) Internal promotion rights
 - d) Interior promotional rights

4. The main promoter of trade liberalization was
 - a) GATT
 - b) NAFTA
 - c) CEPTA
 - d) CISA

5. _____ is an important reason for economic integration.
 - a) Geographic proximity
 - b) Democracy
 - c) Totalitarianism
 - d) Common law practice



6. Neighboring countries tend to collaborate for all of the following reasons EXCEPT:
- a) the distance that goods need to travel between such countries is short
 - b) neighboring countries tend to be in similar economic situations and therefore are able to better control currency exchange rates
 - c) consumers' tastes are likely to be similar, and distribution channels can be easily established in adjacent countries
 - d) neighboring countries may have a common history and interests, and may be more willing to coordinate their policies
7. Geographic proximity is an important reason for economic integration because consumer tastes are likely to be:
- a) different
 - b) opposite
 - c) similar
 - d) strange
8. Which of the following types of regional economic integration focuses only on eliminating internal tariffs?
- a) customs union
 - b) common market
 - c) complete economic integration
 - d) free trade area
9. 75). In which of the following types of regional economic integration are internal tariffs eliminated with member countries levying a common external tariff on goods being imported from nonmembers.
- a) customs union
 - b) free trade area
 - c) common market
 - d) complete economic integration
10. A _____ focuses on eliminating internal tariffs with member countries levying a common external tariff on goods being imported from nonmembers. Additionally, this type of regional economic integration allows free mobility of production factors such as labor and capital.
- a) free trade area
 - b) common market
 - c) customs union
 - d) complete economic integration



11. In _____, countries focus on eliminating internal tariffs among member countries, have a common external trading policy among nonmembers, allow free mobility of productions factors within member countries, and adopt common economic policies.
- free trade area
 - customs union
 - complete economic integration
 - common market
12. _____ occurs when production shifts to more efficient producers for reasons of comparative advantage, allowing consumers access to more goods at a lower price than would have been possible without integration.
- Trade diversion
 - Divestment
 - Trade creation
 - Retrenchment
13. Which of the following was developed with the rationale that the U.S.-Canadian trade was the largest bilateral trade in the world and that the United States is Mexico's and Canada's largest trading partner?
- CEFTA (the Central European Free Trade Agreement)
 - NAFTA (the North American Free Trade Agreement)
 - ASEAN (Association of South East Asian Nations)
 - EU (the European Union)
14. _____ occurs when trade shifts to countries in the group at the expense of trade with countries not in the group, even though the nonmember country might be more efficient in the absence of trade barriers.
- Trade creation
 - Divestment
 - Retrenchment
 - Trade diversion
15. NAFTA calls for all of the following EXCEPT:
- the harmonization of trade rules
 - the liberalization of restrictions on services
 - the implementation of a common currency
 - the liberalization of restrictions on foreign investment



16. NAFTA is a good example of:

- a) trade erosion.
- b) divestment.
- c) retrenchment.
- d) trade diversion.

17. The _____ is a political organization comprised of 185 countries, and it is headquartered in New York City. This organization deals with a variety of political issues, such as security and world peace, but it also deals in humanitarian and economic issues.

- a) World Trade Organization
- b) World Bank
- c) European Union
- d) United Nations

18. When one company acquires another, the one acquired becomes a subsidiary of the acquiring company.

- a) True
- b) False

19. Which of the following is an advantage of turnkey projects?

- a) Can earn a return on knowledge asset
- b) Will not create a competitor
- c) Tight control of operations
- d) All the above

20. Where is the headquarters of the EU?

- a) Belgium
- b) Netherlands
- c) Luxembourg
- d) Greece

21. Where is the headquarters of the SAARC?

- a) Manila
- b) Kathmandu
- c) New Delhi
- d) Jakarta



22. Apart from India, Pakistan and Bangladesh who are the other member countries of SAARC?
- Nepal, Bhutan, Thailand and Singapore
 - Nepal, Bhutan, Malaysia and Maldives
 - Nepal, Bhutan, Maldives, Sri Lanka and Afghanistan
 - None of The Above
23. Which of the following is not the main purpose for formation of SAARC
- To Combat Terrorism
 - To Promote the Welfare of the people of South Asia
 - To form mutual defense against foreign aggression
 - None of The Above
24. SAPTA is a trade agreement by _____
- ASEAN Nations
 - APEC Nations
 - SAARC Nations
 - EU Nations
25. What is the full form of ASEAN?
- Association of South East Asian Nations
 - Administration of South East Asian Nations
 - Administration of Southern Eastern Asian Nations
 - Organisation of South East Asian Nations
26. The country that attracts the largest FDI inflow is
- India
 - China
 - USA
 - Brazil
27. The term economies of scale refer to the reductions in cost achieved by producing a large volume of the product.
- True
 - False
28. Multi-domestic firms extensive customize both their product offering and marketing strategy to suit domestic home market only.
- True
 - False



- 29. Firm that operates internationally is able to
 - a) earn a greater return from their skills and core competencies
 - b) realize location economies where they can be performed most efficiently
 - c) realize greater experience curve economies, which reduces the cost of production
 - d) All the above

- 30. The European Union is a free trade association that is based on a(n)
 - A) economic and monetary union.
 - B) economic union.
 - C) monetary union.
 - D) a commonly agreed upon list of lowered tariffs.

- 31. Which one of the following has a single currency managed by a common central bank?
 - A) ASEAN
 - B) European Union
 - C) World Trade Organization
 - D) The Organization for Economic Cooperation and Development

- 32. Which one of the following is renowned for its high-quality databases on economic and social data?
 - A) WTO
 - B) EU
 - C) OECD
 - D) World Bank

Unit 4 Answer Key:

1 - b	2 - d	3 - a	4 - a	5 - a	6 - b	7 - c	8 - d	9 - a	10 - b
11 - c	12 - c	13 - b	14 - d	15 - c	16 - d	17 - d	18 - a TRUE	19 - a	20 - a
21 - b	22 - c	23 - c	24 - c	25 - a	26 - b	27 - a TRUE	28 - b FALSE	29 - d	30 - a
31 - b	32 - c								



Unit 5: India's foreign Trade

1. With the globalization of markets, the tastes and preferences of consumers world-wide are:
 - a) becoming similar to the tastes and preferences of American consumers.
 - b) converging upon a global norm.
 - c) being encouraged by multinational organizations to become increasingly similar.
 - d) so different that they can be ignored by international organizations.

2. Which organisations strain on the liberalisation of foreign investment and foreign trade?
 - a) International Monetary Fund
 - b) World Health Organisation
 - c) World Trade Organisation
 - d) International Labour Organisation

3. Tax on imports can be treated as
 - a) Collateral
 - b) Trade Barriers
 - c) Foreign Trade
 - d) Terms of Trade

4. The main reason behind MNCs investments are
 - a) To benefit foreign countries
 - b) To provide financial support to the country's government
 - c) For the welfare of underprivileged people.
 - d) To increase the assets and earn profits.
 - e)

5. Which institute supports investments and foreign trade in India?
 - a) International Monetary Fund (IMF)
 - b) World Trade Organisation (WTO)
 - c) World Bank
 - d) International Labour Organisation (ILO)

6. When management believes or assumes that the home country is superior and the needs of the home country are most relevant in terms of doing business internationally, then management is thought to have a(n) _____ business orientation.
 - a) Polycentric
 - b) Regionocentric
 - c) Geocentric
 - d) Ethnocentric



7. Which of the following represents a company's effort to identify and categorize groups of customers and countries according to common characteristics?
 - a) Global positioning
 - b) Global market segmentation
 - c) Global targeting
 - d) Global marketing research

8. Regionalism is:
 - a) a protectionist policy created to exclude third world countries from certain forms of international trade.
 - b) the grouping of countries into regional clusters based on geographic proximity.
 - c) an international management orientation and a protectionist policy created to exclude third world countries from certain forms of international trade.
 - d) an international management orientation.

9. Within an international context, what are 'economies of scope' synonymous with?
 - a) Decreased cost per unit of output.
 - b) Buying components in bulk.
 - c) Reusing a resource from one business/country in additional businesses/countries.
 - d) All of the above.

10. According to the concept of the value chain, of an international firm is profitable if:
 - a) the value it commands exceeds the costs involved in creating the product
 - b) the value it commands is lower than the costs involved in creating the product
 - c) it operates in global industries
 - d) the value it commands equals the costs involved in creating the product.

11. The currency used to buy imported goods is
 - a) the buyer's home currency.
 - b) the seller's home currency.
 - c) the currency of a third country.
 - d) special drawing rights.

12. If the United States sells beef to Japan, the U.S. beef producer is paid with
 - a) euros, or any other third currency.
 - b) dollars.
 - c) yen, the Japanese currency.
 - d) international monetary credits.



13. When Safeway supermarkets in the United States buys strawberries from Mexico,
- it must use dollars to pay Mexican farmers.
 - it may use any currency it chooses.
 - it must use pesos to pay Mexican farmers.
 - the transaction shows up in the U.S. capital account.
14. A country records its international finance accounts in it's
- balance of payments accounts.
 - import/export log accounts.
 - trade payments accounts.
 - net exports payments account.
15. Which organisations strain on the liberalisation of foreign investment and foreign trade?
- International Monetary Fund
 - World Health Organisation
 - World Trade Organisation
 - International Labour Organisation
16. The main reason behind MNCs investments are
- To benefit foreign countries
 - To provide financial support to the country's government
 - For the welfare of underprivileged people.
 - To increase the assets and earn profits.
17. Which country has the highest inflation rate in the world?
- South Sudan
 - Venezuela
 - Argentina
 - Iran

NOTE: Venezuela has the highest inflation of any country in the world. The country's inflation is expected to reach 1,370,000 percent in 2018 and 10,000,000 percent in 2019. Venezuela's shrinking economy is causing large fiscal deficits, which the government is financing by printing money, contributing to further inflation.



18. If Japan and Pakistan start free trade, difference in wages in two countries will:

- a. Increase
- b. Decrease
- c. No effect
- d. Double

19. Net exports equal:

- a. Exports x Imports
- b. Exports + Imports
- c. Exports – Imports
- d. Exports of services only

20. Which of the following questions do companies NOT need to consider before deciding to export?

- a) Is exporting consistent with other company goals?
- b) What demands will be exporting place on its key resources and how will these demands be met?
- c) Are the expected benefits worth the costs, or would company resources be better used for developing new domestic business?
- d) What is the variability of the home-country's import tariffs?

21. Which one among the following is the correct descending sequence of India's import of commodities in terms of value?

- a) Precious metals and stones – Electronic goods – Capital goods – Fertilizers
- b) Fertilizers – Precious metals and stones – Electronic goods – Capital goods
- c) Capital goods – Electronic goods – Precious metals and stones – Fertilizers
- d) Electronic goods – Capital goods – Fertilizers – Precious metals and stones

22. Which among the following products is usually not exported from India?

- a) Wheat
- b) Rice



c) Sugar

d) Pulses

NOTE: India is one of the exporters of pulses. Now, Indian government banned the export of pulses to meet the growing domestic demand. Even though India is the largest pulses producer of the world, it imports large amount of pulses from rest of the world.

23. India has witnessed a number of acute problems immediately prior to the implementation of economic reforms in the early 1990s. Among the following, which one was severe and unmanageable?

a) Industrial backwardness

b) Balance of payments crisis

c) Backwardness of agriculture

d) Shortage of food grains

24. Export-Import bank of India was established in ?

a) 1981

b) 1982

c) 1983

d) 1984

25. On the basis of the size and composition of external debt, world bank has classified India as a

a. heavily indebted country

b. moderate indebted country

c. Less indebted country

d. Severely indebted country.



26. The balance of payments account is conventionally divided into

- a. Current Account and Capital Account
- b. Visible Account and Invisible Account
- c. Long-term capital Account and short term capital account
- d. None of the above

27. Which one of the following theories says that "to export was good and to be encouraged but to import was bad and to be discouraged."

- a) Comparative cost theory
- b) The theory of absolute advantage
- c) Factor Endowment theory
- d) Mercantilist theory

28. A letter of credits means

- a. A bank agreeing to accept and pay on due date
- b. A letter containing conditions of credit purchase or sale
- c. A letter sent by exporter to importer sanctioning credit deal.
- d. A letter sent by importer to exporter sanctioning credit deal

29. Which among the following are important bodies of WTO?

- i. Dispute settlement body
- ii. NAFTA
- iii. Trade Policy Review Body
- iv. ASEAN
- v. Council for Trade in Goods
- vi. Council for trade related aspects of Intellectual property rights
- vii. GATT

An appropriate combination is

- a. (i), (ii), (iii), (iv)

- b. (ii), (iii), (iv), (v)
- c. (i), (iii), (v), (vii)
- d. (iv), (v), (vi), (vii)

30. Foreign Exchange and Foreign currencies in India are governed by

- a. RBI
- b. Banking Regulation Act
- c. FEMA Act
- d. SEBI Act

31. Physical delivery of foreign exchange has to take place in case of

- a. Forward Market
- b. Spot market
- c. Future market
- d. Options market

32. Identify a factor that doesn't play an important role in attracting FDI

- a. Language
- b. Laws, rules and regulations
- c. Cost of resources
- d. Infrastructure related factors

33. India is an

- a. Emerging economy
- b. Developed economy
- c. Less developed economy
- d. None of these



34. Typically, the last step in the internationalization process is:

- a. Licensing
- b. Exporting
- c. Wholly owned subsidiaries
- d. Foreign Direct Investment

35. Which of these is/are the characteristic of a licensing agreement?

- a. The licensor might provide access to some of its patents or trademarks
- b. The licensor might provide access to technology
- c. It might be used to avoid the risks of foreign involvement
- d. All of the above

36. Amalgamation and rapid unification between countries can be identified as

- a. Globalisation
- b. Liberalisation
- c. Socialisation
- d. Privatisation

37. Globalisation has improved in the living structure of

- a. All the people
- b. Workers in developing countries
- c. People in developed countries
- d. None of the above.

38. Which Indian industries have been hit by globalization?

- a. Cement
- b. Jute
- c. Toy making
- d. Information Technology (IT)

Unit 5 Answer Key:

1 - b	2 - C	3 - B	4 - D	5 - B	6 - d	7 - b	8 - b	9 - d	10 - a
11 - b	12 - b	13 - c	14 - a	15 - c	16 - d	17 - b	18 - b	19 - c	20 - d
21 - a	22 - d	23 - b	24 - b	25 - b	26 - a	27 - d	28 - a	29 - c	30 - c
31 - b	32 - a	33 - a	34 - a	35 - d	36 - a	37 - a	38 - c		

