Name: **Enrolment No:**	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, December 2022

Course: International Trade II — **Semester: V**
Program: BA ECO — **Time : 03 hrs.**
Course Code: INTB3009 — **Max. Marks: 100**

Instructions:

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	Arbitrage refers to- (a) Arbitrary exchange rate between two markets. (b) Purchase and sell of an asset for the same price. (c) Purchase of an asset in a low-price market and its sale in a higher price market. (d) None of the above.	**2**	**CO1**
Q 2	The current exchange rate between two countries is known as - (a) Spot exchange rate. (b) Forward exchange rate. (c) Arbitrage. (d) Speculation.	**2**	**CO1**
Q 3	A high interest rate in the country, if interest rate in the foreign country remains the same, will- (a) Reduced the supply of foreign currency in the home market. (b) Increase the supply of foreign currency in the home market. (c) Increase the demand for foreign currency in the home market. (d) None of these.	**2**	**CO1**
Q 4	If a basket of commodities is sold at Rs 300 in India & the basket of identical commodities sell at $6 in the USA, then the exchange rate expressed as price of $1 in terms of Rupees, will be - (a) Rs. 20. (b) Rs. 40. (c) Rs. 50. (d) None of the above.	**2**	**CO1**
Q 5	When the demand for foreign exchange rises, with no change in its supply, then - (a) The domestic currency will depreciate against the foreign currency. (b) The domestic currency will appreciate against the foreign currency. (c) The foreign will depreciates against the domestic currency. (d) The exchange rate will remain constant.	**2**	**CO1**
Q 6	When all the debit or credit items in the balance of payments are combined-	**2**	**CO1**

	(a) merchandise imports equal merchandise exports. (b) capital imports equal capital exports. (c) services exports equal services imports. (d) the total surplus or deficit equals zero.		
Q 7	All of the following are credit items in the balance of payments, except- (a) investment inflows. (b) merchandise exports. (c) payments for American services to foreigners. (d) private loans to foreign residents.	**2**	**CO1**
Q 8	The current account includes- (a) the value of trade in merchandise. (b) unilateral transfers. (c) services. (d) all of the above.	**2**	**CO1**
Q 9	Which of the following institution shall help a country if the balance of payment of that country is in adverse condition- (a) International Monetary Fund. (b) World Bank. (c) World Trade Organization. (d) None of these.	**2**	**CO1**
Q 10	Which of the following currency is not used in calculation of Special Drawing Rights (SDR) by the IMF- (a) Rupee. (b) US Dollar. (c) Japanese Yen. (d) Chinese Renminbi.	**2**	**CO1**
SECTION B **4Qx5M= 20 Marks**			
Q 11	How does covered interest arbitrage create efficiency in foreign exchange markets?	**5**	**CO2**
Q 12	What is the difference between a credit transaction and a debit transaction in the balance of payments?	**5**	**CO2**
Q 13	Explain absolute and relative purchasing power parity (PPP).	**5**	**CO2**
Q 14	What is meant by a three-market balance equilibrium?	**5**	**CO2**
SECTION-C **3Qx10M=30 Marks**			
Q 15	Indicate how each of the following international transactions is entered into the U.S. balance of payments with double-entry bookkeeping- (a) The U.S. government gives a $100 cash balance in a U.S. bank to a developing nation as part of the U.S. foreign aid program. (b) The developing nation uses the $100 bank balance to import $100 worth of food from the United States.	**10**	**CO4**

Q 16	Explain what is uncovered and covered interest parity and in what way are they different from each other.	**10**	**CO3**
Q 17	Do you think the WTO would be able to bring into existence a free and fair-trade regime? Give reasons for your answer.	**10**	**CO3**
SECTION-D **2Qx15M= 30 Marks**			
Q 18	Consider a country that is in position of full employment and balanced trade. The exchange rate is fixed, and capital is not mobile. Which of the following types of disturbance can be remedied with standard aggregate demand tools of stabilization? Indicate in each case the impact on external and internal balance as well as the appropriate policy response. (a) A loss of export markets. (b) A reduction in saving and a corresponding increase in demand for domestic goods. (c) An increase in government spending.	**15**	**CO4**
Q 19	What is meant by the asset market or portfolio balance approach? In what ways does it differ from the monetary approach?	**15**	**CO3**