



THE PAPUA NEW GUINEA UNIVERSITY OF TECHNOLOGY
Department of Business Studies
ECONOMICS SECTION

COURSE CODE : 423

COURSE: International Trade and Finance

SECOND SEMESTER 2022

FINAL EXAM: 100 Marks

Instructions:

Time allowed: 3:00 hours

- Write clearly Your NAME & ID No. on the ANSWER sheet only.
- First FIVE minutes read carefully all questions, and Write proper ANSWER in ANSWER SHEET only. No answer will be evaluated if written elsewhere except answer sheet.
- There are SIX PARTS. Attempt all Parts. Write clearly Part & question number on answer sheet.
- All OBJECTIVE questions are compulsory.
- Avoid rewriting/double writings.
- Any Hand-notes/Papers /Mobile are strictly prohibited in the examination hall.

Group	Student's Name	ID No.:
A*		

Total:.....

AE 423 INTERNATIONAL TRADE & FINANCE

QUESTIONS PAPER

PART-1

Multiple Choice TEN Questions. ALL Questions are Compulsory. Tick appropriate (any one which is the best suitable) answer. All questions have EQUAL Value. [Marks: 10]

Q. 1. The nature of the gains from trade were influenced in substantial degree, directly or indirectly, by the writings of Smith, Mill, and Ricardo.

- A). Smith
D). David Kortan
G). All the above
- B). J.S. Mill
E). Todaro
- C). Ricardo
F). A, B, & C only

Q. 2. Trade flows between nations

- A). Never took place before World War II
C). Were stronger before World War II
E). Both (B) & (D)
- B). Were weaker before World War II
D). Were Stronger after World War II

Q. 3. During international trade

- A). Capital moves truly among nations
C). Both moves truly among nations
- B). Labour moves truly among nations
D). Labour moves less truly than capital

Q. 4. Trade may give rise to frustrations among some people within many given countries because.

- A). The country does not gain from trade.
B). Some people gain while others lose, and the loses are not compensated.
C). Trade benefits only the rich and so the rich.
D). None of the above.

Q. 5. Trade is a zero-sum game, says;

- A). Ricardo
D). J.S. Mill
- B). Adam Smith
E). None of above
- C). Heckscher-Ohlin

Q. 6. Countries should specialize in the production of goods for which they have an absolute advantage and then trade these goods for the goods produced by other countries, says;

- A). Ricardo
D). J.S. Mill
- B). Adam Smith
E). None of above
- C). Heckscher-Ohlin

Q. 7. Which answer is wrong given below from the multiple choice on trade restrictions can take many forms, including:

- A). Import tariffs
D). Imported countries' products ban
- B). Import quota restrictions
E). Provide Subsidy to imported items
- C). Embargo
F). All above

Q. 8. The main problems caused by trade restrictions are:

- A). higher prices for consumers
D). lower production
G). None of the above
- B). lower quantities of supply
E). lower prices for consumers
- C). deadweight losses
F). A, B & C only

Q. 9. Trade restriction leads to increased

- A). monopoly power
D). all of above
- B). political lobbying
E). none of above
- C). bureaucratic corruption

Q. 10. Foreign debt includes obligations to international organizations such as:

- A). World Bank (WB) B). Asian Development Bank (ADB) C). International Monetary Fund
D). KINA BANK E). BRICS Development Bank (BDB) F). A, B, C & E only
G). All above

PART-2: Fill in the Blanks

[Marks: 15]

Q. 1. International Trade uses (-----) models to understand the international economy. **[Marks: 1]**

Q. 2. International Trade applies the same tools which are introduced in (-----) i.e., supply and demand analysis; firm and consumer behavior; perfectly competitive; (-----) and (-----); and the effects of (-----). **[Marks: 4]**

Q. 3. The gains from trade arise from (-----) through (-----), which increases productivity of factors, competitiveness, and innovation. **[Marks: 2]**

Q. 4. This gain from pure exchange can be increased when trade makes it possible to (-----) based on comparative advantage. **[Marks: 1]**

Q. 5. The task is often made difficult because (-----) tend to turn attention away from the gains that free trade and (-----) entail. **[Marks: 2]**

Q.6. Classical and New Classical Economic Principles are based on Four Pillars: **[Marks: 4]**

- A. (_____)
B. (_____)
C. (_____)
D. (_____)

Q. 7. The theory of comparative advantage shows that even if a country enjoys an (-----) in the production of goods, trade can still be beneficial to both trading partners. **[Marks: 1]**

PART-3: True & False: All questions have equal value.

[Marks: 10]

Write [T] or [F] in the answer sheet (given in box only).

Q. 1. Any country or firm participates in trade activities to fulfil the requirements of foreign currency to correct balance of payments, and to achieve the main objective/goal of profits under free market conditions on the basis of 'comparative advantage' if the firm/nation has abundant resources, and capacity to produce goods and commodities at cheapest.

Q. 2. Ricardo's theory of comparative advantage, it makes sense for a country to specialize in the production of those goods that it produces most efficiently and to buy the goods that it produces less efficiently from other countries, even if this means buying goods from other countries that it could produce more efficiently itself.

Q. 3. Comparative advantage occurs when one country can produce a good or service at a lower opportunity cost than another.

Q. 4. Heckscher-Ohlin stated that countries are better off specializing in what they enjoy a comparative advantage in and importing the goods in which they lack a comparative advantage.

Q. 5. An opportunity cost is the foregone benefits from choosing one alternative over others.

PART-4: Match with the Sentences from the BOX.**[Marks: 5]**

1. Man can control the behaviour of markets	A. Such as demand and supply forces, were also wrong.
2. Prices of commodities and factors/resources are determined by the market forces;	B. we call it trade protection.
3. If the barriers come from government policies,	C. make the flow of goods and services between countries immobile.
4. Trade restriction refers to the various barriers that	D. reducing trade barriers between member countries.
5. The establishment of regional economic integration in various countries contributes to	E. was totally wrong.

PART-5: SHORT QUESTIONS**[Total Marks: 30]****Give any SIX answer from the Following Questions. All questions have EQUAL Value.**

Q. 1. What do you mean by International Trade? Define it.

Q.2. Differentiate between International Trade and International Finance.

Q. 3. What is significance/importance of International Trade?

Q. 4. How has international trade theory evolved?

Q. 5. What do you mean by international specialization?

Q. 6. What do you mean by Laissez-fair?

Q. 7. What is international finance?

Q. 8. Which country enjoys an absolute advantage, suppose if:

- France:
 - Opportunity cost of 1 cloth = 2 wine
 - Opportunity cost of 1 wine = $\frac{1}{2}$ cloth
- The United States:
 - Opportunity cost of 1 cloth = 1 wine
 - Opportunity cost of 1 wine = 1 cloth

Q. 9. How can a country gain from trade if it is unable to change its production patterns?

Q. 10. In the light of the Ricardian model, how might you evaluate the claim by developing countries that they are at a disadvantage in trade with powerful industrialized countries?

Q. 11. What are the Effects of Trade Restrictions on International Markets?

Q. 12. Write about the principal objective of the World Trade Organization (WTO)?

PART-6 : ESSAY TYPE QUESTIONS.

[Marks: 30]

Write any THREE answers from the Following Questions. Each Question has EQUAL Value.

Q. 1. Let's assume that the maximum amount of labor hours is 100 hours. If France's opportunity cost of 1 cloth = 2 wine and opportunity cost of 1 wine = $\frac{1}{2}$ cloth; and, the United States' opportunity cost of 1 cloth = 1 wine and opportunity cost of 1 wine = 1 cloth, then how does identifying each country's comparative advantage aid in understanding its benefits in free trade?

Q.2. Critically analyze why classical theory of international trade become irrelevant?

Q.3. The world's poorest countries (including PNG) are at a competitive disadvantage in every sector of their economies. They have little to export. They have no capital; their land is of poor quality; they often have too many people given available work opportunities; and they are poorly educated. Free trade cannot possibly be in the interests of such nations! How poor countries can equally participate for benefits in international trade, discuss in detail.

Q.4. The western dominated global economic power is now shifting to the east and emerging a new global order in 2022. What do think about it, write in detail.

Q. 5. Write on Liberalization, Privatization and Globalization (LPG).

Q. 6. Discuss on World Trade Organization.

Q. 7. Write an ESSAY on the performance of PNG's Economy (including Trade).

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ANSWER SHEET
PART-1

Multiple Choice:

1	2	3	4	5	6	7	8	9	10

PART-2

Fill in the Blanks:

1.

2.

PART-3

True & False:

1	2	3	4	5

PART-4

Matches the Sentences:

1	2	3	4	5