2014

ECONOMICS

(Major)

Paper : 6.4

(International Economics)

Full Marks : 60

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. Answer the following as directed : 1×7=7

(a) Pick the odd one out :

(i) Japanese yen

(ii) US dollar

(iii) UK pound sterling

(iv) Russian rouble

(b) Fill in the blank :

Price of a currency in terms of another currency is commonly known as its —— vis-à-vis the other currency.

(c) Write True or False :

An Indian company acquiring an American company is negative to India's capital account.

(d) Match the following :

(i)	Flexible exchange rate	(1)	c.i.f.
(ii)	Exports	(2)	Managed floating
(iii)	Gold standard	(3)	f.o.b.
(iv)	Imports	(4)	Gold points

(e) Where is the Headquarter of WTO situated?

(f) Name the 'soft loan window' of the World Bank.

(g) What is an open economy?

2. Answer the following questions : 2×4=8

(a) Distinguish between the Spot and the Forward exchange rate.

(b) What is 'trade deflection'?

(c) How does the Balance of Payment of a country always balance?

(d) What is 'managed floating'?

3. Answer any *three* of the following questions : 5×3=15

(a) State five causes of a Balance of Payment deficit.

(b) Explain the impact of a fall in gold import on the exchange rate of the domestic currency.

(c) What is 'forex reserve'? Point out the benefits of a healthy forex reserve.

(d) Explain the concept of 'trade creation' with the help of a numerical example.

(e) Write four important functions of the World Bank.

4. Answer the following questions : 10×3=30

(a) Present the Balance of Payment (BoP) Account of a hypothetical country.

Or

Distinguish between BoP (Current Account) and BoP (Capital Account). How are they related?

(b) Explain the automatic correction of a Balance of Payment deficit under gold standard.

Or

Discuss the measures to correct the Balance of Payment deficit under a non-gold fixed exchange rate regime.

(c) Explain the determination of equilibrium exchange rate under free market mechanism.

Or

Establish the direct connection between disequilibrium in the Balance of Payment and disequilibrium in the Exchange Rate.

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