

KAMARAJ COLLEGE (Autonomous)

Accredited with A+ Grade by NAAC

(Affiliated to Manonmaniam Sundaranar University, Tirunelveli)

(4 Pages)

Reg. No:

Question Code: 26E01013

Course Code : 24PMEC41

PG Degree - End Semester Examinations, April 2026

Fourth Semester

M.A. ECONOMICS

International Economics

(For those who joined in July 2024 onwards)

Time : 3Hours

Maximum : 75 Marks

PART - A (10 × 1 = 10 Marks)

Answer ALL Questions

Choose the correct answer :

- CO:2 1. Comparative advantage depends on
K:2 (a) Absolute labour cost (b) Opportunity Cost
(c) Money Cost (d) Market Price
- CO:1 2. According to the Factor Endowment Theory, a country will
K:2 export goods that:
(a) Use scarce factors intensively (b) Use abundant factors intensively
(c) Have high domestic demand (d) Are luxury goods
- CO:3 3. External economies encourage international trade by
K:2 (a) Lowering cost of production (b) Promoting self-sufficiency
(c) Increasing production cost (d) Restricting exports
- CO:1 4. Intra-industry trade refers to
K:1 (a) Trade between two different industries (b) Trade in raw materials only
(c) Simultaneous export and import of similar products (d) Trade under absolute advantage

- CO:5 5. Which of the following is included in the current account?
K:1
- (a) Foreign direct investment (b) Portfolio investment
(c) Export and import of services (d) Borrowings from IMF
- CO:2 6. The concept of foreign trade multiplier was developed by
K:1
- (a) Adam Smith (b) J.M. Keynes
(c) David Ricardo (d) R.F. Harrod
- CO:5 7. Which of the following is an example of FDI?
K:2
- (a) Foreigners buying shares in stock market (b) Foreign bank deposits
(c) Setting up a manufacturing plant abroad (d) Purchase of government bonds
- CO:3 8. Which of the following is a humanitarian factor for granting
K:1 foreign aid?
- (a) Natural disasters and famine (b) Military alliance
(c) Industrial growth (d) Export promotion
- CO:4 9. Forward contracts are traded in:
K:2
- (a) Stock exchanges (b) Over-the-counter market
(c) Commodity exchanges (d) Money market only
- CO:4 10. Currency futures are traded in:
K:2
- (a) Over-the-counter market (b) Interbank market
(c) Informal markets (d) Organised exchanges

PART - B (5 X 5 = 25 Marks)

Answer ALL Questions choosing either (a) or (b).

Answer should not exceed 250 words.

- CO:4 11. (a) Distinguish between Absolute Cost Advantage and
K:3 Comparative Cost Advantage.

(OR)

(b) Why is the Leontief Paradox considered a paradox?

- CO:2 12. (a) Explain Linder's Theory of Demand Pattern.

K:3

(OR)

(b) Explain the role of Imperfect Competition in International Trade.

CO:1 13. (a) Explain the Absorption Approach and its main ideas.

K:3

(OR)

(b) Explain the concept of Expenditure-Switching Policies in the Balance of Payments.

CO:3 14. (a) Explain the various types of foreign aid.

K:3

(OR)

(b) Describe the characteristics of MNCs.

CO:5 15. (a) What is foreign exchange risk? Explain its sources.

K:3

(OR)

(b) What is a Money Market Hedge? Explain its mechanism.

PART - C (5 X 8 = 40 Marks)

Answer ALL Questions choosing either (a) or (b).

Answer should not exceed 600 words.

CO:4 16. (a) "International trade benefits the abundant factor and harms the scarce factor." Discuss with reference to the Stolper-Samuelson Theorem.

K:5

(OR)

(b) Discuss the Rybczynski Theorem with the help of a suitable example.

CO:3 17. (a) Discuss the stages of the Product Cycle Theory and their impact on international trade.

K:5

(OR)

(b) Discuss Kenen's Human Capital Theory of International Trade.

CO:5 18. (a) Discuss the relevance of the Swan Model for developing economies.

K:5

(OR)

(b) Examine the measures to correct Balance of Payments disequilibrium.

CO:2 19. (a) Discuss the classification of FDI based on the nature of investment.

K:5

(OR)

(b) Explain how Multinational Corporations differ from domestic firms with reference to their features.

CO:1 20. (a) Discuss the role of hedging techniques in managing foreign
K:5 exchange risk.

(OR)

(b) i. Write a note on: i) Currency futures ii) currency options
iii) currency swaps.