

Eastern University, Sri Lanka
Faculty of Commerce and Management
Postgraduate Studies Unit
First Year Second Semester Examination in Master of Business
Administration- 2016/2017
(Jan/Feb.-2018) (Proper/Repeat)
MBA 1123 International Trade and Finance

Answer All Questions

Time: Three Hours

1.

- a. What is meant by International Trade? List out the reasons for trade. (07 Marks)
- b. Briefly state the role of International Trade in National Income (GNI). (07 Marks)
- c. List the advantages and disadvantages of International Trade. (06 Marks)

(Total 20 Marks)

2.

- a. Distinguish between Mercantilism and Modern Mercantilism. (03 Marks)
- b. **“When countries specialize and trade, they can move beyond their production possibilities frontiers, and are thus able to consume more goods as a result”**. Support this statement using the example given below.

Products	USA	U.K
Wheat (bushels/labour hour)	6	1
Cloth (yards/labour hour)	4	5

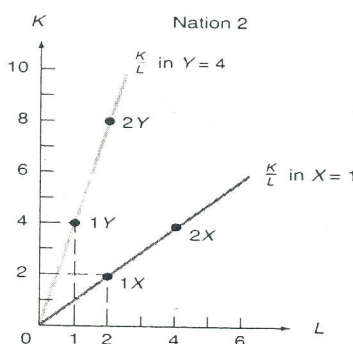
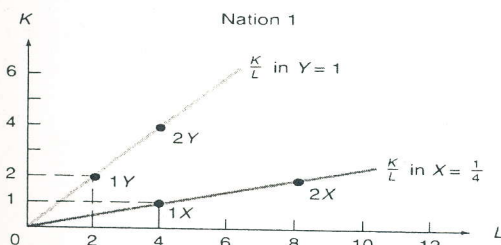
(06 Marks)

- c. Using the information given below, briefly explain the comparative advantage on the opportunity cost.

(06 Marks)

Products	USA	U.K
Wheat (bushels/labour hour)	6	1
Cloth (yards/labour hour)	4	2

- d. Briefly explain the factor intensities for commodities X and Y in Nation 1 and 2 using the diagram given below. (05 Marks)



- 3.
- a. What is meant by import Tariff? Distinguish between Specific Tariffs and Ad Valorem Tariffs. (05 M)
 - b. Briefly explain the disadvantages of imposing Import Tariffs. (04 M)
 - c. Compare the affects of a Quota system with an Import Tariff. (05 M)
 - d. Write brief notes on any three of the followings;
 - i. Rate of Effective Protection.
 - ii. Dumping.
 - iii. Local content requirement.
 - iv. Export subsidies.
 - v. Export Tariff.
- (06 M)
(Total 20)
- 4.
- a. Define Foreign Direct Investment (FDI). List out advantages and disadvantages of foreign direct investment inflows. (05 M)
 - b. What is meant by exchange rate? Graphically show how exchange rate of a currency is determined. (05 M)
 - c. Distinguish between Nominal and Real Exchange Rate. (05 M)
 - d. Show how Nominal Effective Exchange Rate (NEER) is measured. (05 M)
- (Total 20)**
- 5.
- a. Distinguish between currency depreciation and appreciation. (03 M)
 - b. Briefly explain the advantages and disadvantages of currency depreciation (04 M)
 - c. What is meant by Global Production Sharing? How it is seen as new hope to the developing countries for their fast economic growth? (07 M)
 - d. Write short notes any three on the followings:
 - i. Types of Trade Agreements
 - ii. Trade of Sri Lanka
 - iii. Trade elasticity and Multiplier
 - iv. FDI Platform
 - v. World Trade Organization(WTO)
- (06 M)
(Total 20)