

Q.5.A) State whether the following statements are TRUE OR FALSE with reasons (Any 4) 8

- a) There is only single rate of exchange in the foreign exchange market. **FALSE**
- b) Flexible exchange rate system may cause structural unemployment . **TRUE**
- c) The comparative cost theory is not applicable to the real world. **TRUE**
- d) Factor intensity is measured in absolute terms. **TRUE**
- e) Economic development does not affect terms of trade **FALSE**
- f) The PPP theory is based on the Law of One Price. **FALSE**

B) Select appropriate answers from the options given below (Any 7)

- a) WTO was Set up on _____
(31st July 1995, 1st June 1985, **1st January 1995**, 30th December 1994)
- b) Purchasing Power parity Theory was propounded by _____
(Ricardo, Keynes, **Cassel**, Smith)
- c) The rupee is freely convertible under the ____ account
(Capital , **Current** , Neutral , All of the above)
- d) Fixed exchange rate system was _____
(Unstable, Less stable ,**More stable**)
- e) Income terms of trade tells increased capacity to) _____
(Export , Import ,**Investment**)
- f) Who has been given the mandate to negotiate multilateral rules in services ?
(World Bank, **WTO** , IMF)
- g) A currency that is universally accepted is known as the _____
(Nominal currency ,**Vehicle currency** ,Depreciated currency)