

## Principles of Economics ( English Medium) - ICOM Part 1 Economics English Medium Chapter 14 Short Questions Preparation

Q1. What is terms of trade ?

**Ans 1:** The ratio between export prices to import prices is known as terms of trade.  
 $TOT = \text{Export prices} / \text{import prices}$

Q2. What is balance of trade (BOT) ?

**Ans 1:** Balance of trade is the comprehensive record of import and exports of only visible items. Visible items consists all type of material goods like wheat, rice, fruits, machinery etc.

Q3. Write four disadvantages of international trade.

**Ans 1:**

1. Dependence on their countries
2. Difficulty for home industry.
3. Inflation
4. Monopoly
5. Misallocation of resources

Q4. What is meant by balance of payment (BOP) ?

**Ans 1:** According to Kindle Berger.  
"Balance of payments is a systematic record of all economic transactions of a country with the rest of the world in a given period of time".

Q5. What are invisible goods ?

**Ans 1:** Those items which cannot be seen and counted at the place of exports and imports are known as invisible goods. For example services of insurance companies banks, shipments etc.

Q6. What is international trade ?

**Ans 1:** If the exchange or trade involves two or more different countries then it is known as "Foreign Trade".

Q7. What is meant by tariff ?

**Ans 1:** A tax levied on imports and exports is known as tariff.

Q8. What is deficit or unfavorable balance of trade ?

**Ans 1:** If the net value of imports of visible goods exceeds its exports, it is known as deficit / unfavorable balance of trade.

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Q9. Write any four causes of deficit in balance of payments ?

**Ans 1:**

1. Increases in imports
2. Decreases in exports
3. Heavy payments of foreign services
4. Inflation

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Q10. Write four points of difference between domestic and international trade.

**Ans 1:**

1. Currency difference.
2. Means of transport
3. Trade expenditure
4. Mobility of labour and capital

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