

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

Q1. What is surplus balance of trade?
Ans 1: If the net value exports of visible goods exceeds its imports, it is known as surplus / favorable balance of trade.
Q2. What is terms of trade ?
Ans 1: The ratio between export prices to import prices is known as terms of trade. TOT = Export prices / import prices
Q3. 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.
Q4. Write four points of difference between domestic and international trade.
Ans 1: 1. Currency difference. 2. Means of transport
Trade expenditure Mobility of labour and capital
Q5. Define absolute advantage theory of international trade.
Ans 1: This theory was presented by Adm Smith and it can be defined as: "When one country is more efficient than other country in the production of one commodity while less efficient in the production of second commodity. Each country will specialize in the production of that commodity in which it has absolute advantage, so both countries will given from trade."
Q6. What is domestic trade?
Ans 1: When goods and services are exchanged or traded within the geographical boundaries of one country, it is called "Home Trade".
Q7. 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

Q8. What is protection policy?

Ans 1: The Policy which is regulated by government to save local newly industry from stiff foreign competition is known as protection policy.

Q9. 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".

Q10. Describe exchange rate.

Ans 1: The price of a local currency expressed in terms of foreign currency is known as exchange rate. For example one dollar is exchangeable by Rs. 100 so the exchange rate of Rs. 100 is equal to one dollar.