

Economics - ICom Part 2 Principles of Economics Chapter 5 Short Questions Preparation

Q1. What is meant by visible goods.

Ans 1: Visible goods are the goods which can be seen and felt. For example table, chair wheat, cotton, refrigerator etc.

Q2. Write six advantages of international trade.

Ans 1: 1- Acquisition of foreign goods.

Ans 2: 2- Availability of goods in case of shortage 3- Export of surplus production

Ans 3: 4- It causes international peace 5- Removal of monopolies

Ans 4: 6- Optimum use of productive resources.

Q3. Name the classical theories of international trade.

Ans 1: 1- Absolute advantage theory of Adam Smith

Ans 2: 2- Comparative cost theory of Ricardo

Q4. When is balance of payment surplus.

Ans 1: Balance of payment is surplus when current account is surplus

Q5. Who did present the comparative cost theory of international trade.

Ans 1: Prof. Ricardo presented comparative cost or comparative advantage theory of international trade

Q6. Write four methods of removing deficit in balance of payment.

Ans 1: 1- Increase in export 2- Decrease in import

Ans 2: 3- Devaluation of currency 4- Decrease in the quantity of money

Q7. Write four advantages of WTO.

Ans 1: 1- Peaceful solution of trade differences.

Ans 2: 2- Elimination of taxes on transportation

Ans 3: 3- Guarantor of peace and Safety

Ans 4: 4- Cheap provision of Necessities of life.

Q8. Define balance of payment in the word of Prof. Kindle Berger.

Ans 1: It is the systematic record of all economic transactions of a country with the rest of the world.

Q9. Write a few disadvantages of international trade.

Ans 1: 1- Dependence on production of limited goods.

Ans 2: 2- Dependence on other countries.

Ans 3: 3- International effects of inflation and deflation on the economy

Ans 4: 4- Loss to backward countries.

Ans 5: 5- Monopoly of developed countries on international market

Q10. Who did present classical theory of international trade.

Ans 1: Classical theory of international trade was presented by Prof. Adam Smith and Richardo.
