

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

Q1. What is meant by surplus or favourable balance of payments.

Ans 1: If a country exports its visible and invisible goods of more value than the value of its imports of visible and invisible goods, then its balance of payments will be surplus or favourable.

Q2. What is meant by W.T.O.

Ans 1: W.T.O is international body which deals with the rules of international trade between nations. Its main objective are these.

Ans 2: 1- To make international trade free

Ans 3: 2- To eliminate all obstacles in the way of international trade. W.T.O. came into existence on 1st January 1995

Q3. Write four measures to improve balance of payments of country.

Ans 1: 1- Increase in exports 2- Decrease in imports 3- Devaluation in currency

Ans 2: 4- Decrease in quantity of money

Q4. Who did present classical theory of international trade.

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

Q5. Name the classical theories of international trade.

Ans 1: 1- Absolute advantage theory of Adam Smith

Ans 2: 2- Comparative cost theory of Richardo

Q6. What is multinational or transnational corporation.

Ans 1: A multinational corporation or multinational enterprise or transnational corporation is a corporation that manages production establishments or delivers services in at least two countries.

Q7. What is meant by surplus balance of trade.

Ans 1: If a country exports visible goods having more value than the total visible goods imported by it, the balance of trade is said to be surplus or favourable.

Q8. Define terms of trade.

Ans 1: The rate at which commodities are exchanged with each other in the international trade is called terms of trade.

Q9. Write the points of difference between domestic trade and international trade.

Ans 1: 1- In mobility of labor and capital 2- Difference in currencies

Ans 2: 3- Difference in trade restrictions 4- Difference in government facilities.

Ans 3: 5- Difference in trade agreements 6- Difference in trade policies

Q10. Who did present absolute advantage theory of international trade.

Ans 1: Prof. Adam Smith presented the absolute advantage theory of international trade
