

1. The price per unit of steel in China is 2\$. China exports at the rate of 1.5\$ per unit to India. This is the case of
  - A. subsidy
  - B. concession
  - C. discount
  - D. dumping[ D ]
  
2. A spot exchange rate of a dollar is Rs. 71. A person is expecting that after 3 months the exchange rate to be Rs. 75 per dollar. Hence he buys dollars forward at Rs. 71 per dollar in the hope of selling it at Rs. 75. This is known as
  - A. arbitrage
  - B. speculation
  - C. hedging
  - D. devaluation[ B ]
  
3. Initially India was importing 70 percent of the chocolates from Belgium. When the price of chocolates increased by 10 percent, India reduced its imports by 2 percent, the
  - A. terms of trade becomes favourable for India
  - B. terms of trade becomes favourable for Belgium
  - C. exchange rate becomes fixed
  - D. exchange rate fluctuates[B ]
  
4. If India's demand for Korea's mobile handset is inelastic, then the terms of trade will
  - A. move against India
  - B. move against Korea
  - C. fluctuate
  - D. be fixed[ ]

Ans: A; Level: U

5. When India imposes tariff of Rs. 50 for every one kilogram import of wheat from international market, it is an example for
  - A. Ad Valorem duty
  - B. Specific duty
  - C. Compound duty
  - D. Sliding scale duty[ ]

Ans; B; Level: HA