

QUESTION BANK

MBA

SEMESTER 3

VOL. IV

FOR PRIVATE CIRCULATION

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QUESTION BANK

ENTERPRISE SYSTEMS

MS 243

**QUESTION BANK
ENTERPRISE SYSTEMS- MS 243
MBA III**

UNIT – I

I Test Your Skills:

Multiple Choice Questions:

1. An enterprise system that integrates the downstream value chain is:
 - (a) ERP.
 - (b) SCM.
 - (c) CRM.
 - (d) None of the above.

2. An enterprise system that integrates the upstream value chain is:
 - (a) ERP.
 - (b) SCM.
 - (c) CRM.
 - (d) None of the above.

3. A typical ERP system includes this module:
 - (a) financial accounting.
 - (b) inventory.
 - (c) bill of materials.
 - (d) All of the above.

4. Which of these is not currently listed as marketing an ERP system?
 - (a) Oracle
 - (b) Peoplesoft
 - (c) IBM
 - (d) SAP

5. Systems that communicate across organizational boundaries are:
 - (a) Inter-organizational systems.
 - (b) Intra-organizational systems.
 - (c) Extra-organizational systems.
 - (d) None of the above.

6. An older system that is still of use to an organization despite the need for frequent maintenance is a(n):
- (a) obsolete system.
 - (b) legacy system.
 - (c) repository.
 - (d) None of the above.
7. The value chain connection between a firm and its suppliers is called:
- (a) inbound logistics.
 - (b) outbound logistics.
 - (c) SCM.
 - (d) None of the above.
8. The value chain connection between a firm and its customers is called:
- (a) inbound logistics.
 - (b) outbound logistics.
 - (c) CRM.
 - (d) None of the above.
9. The transportation of finished goods, raw materials, or supplies is:
- (a) procurement.
 - (b) marketing.
 - (c) production.
 - (d) logistics.
10. Which of these is an important technology used in linking the supply chain?
- (a) RFID
 - (b) XBRL
 - (c) Http
 - (d) SNMP
11. Which of these is not a mySAP business suite?
- (a) Product lifecycle management
 - (b) Supply chain management
 - (c) Customer relationship management
 - (d) All of the above are in the suite.
12. Sales force automation software is a subset of which type of software package?
- (a) ERP
 - (b) CRM

- (c) SCM
- (d) None of the above.

13. The process of obtaining goods or services is called:

- (a) logistics.
- (b) procurement.
- (c) purchasing.
- (d) integration.

14. Legacy systems:

- (a) often require expensive maintenance.
- (b) may be difficult to integrate with new systems.
- (c) use a collection of independent files or databases.
- (d) All of the above.

15. What is said to be the most important step in implementing an ERP system?

- (a) Get executive support.
- (b) Get outside help from experts.
- (c) Thoroughly train users.
- (d) Take a multidisciplinary approach to implementation.

16. Internally focused systems support _____ within the organization.

- (a) Functional areas.
- (b) Processes.
- (c) Activities
- (d) All of the above

17. Which of the following is not true of (BPR) business process reengineering?

- (a) Sometimes BPR is needed to lower costs.
- (b) Sometimes BPR is needed to increase quality.
- (c) Information technology can be the enabler for radical change.
- (d) BPR tends to focus on incremental and gradual improvement.

18. Which of the following is not true of problems that can arise when firms within a supply chain do not collaborate?

- (a) Reduced costs
- (b) Excessive inventories
- (c) Missed production schedules
- (d) Inaccurate manufacturing capacity

19. Which of the following is a function that can help optimize a supply network?
- (a) Supply chain collaboration
 - (b) Collaborative design
 - (c) Collaborative fulfilment
 - (d) All of the above
20. Which of the following is a recommendation that will successfully implement an enterprise wide system?
- (a) Secure executive sponsorship.
 - (b) Get help from outside experts.
 - (c) Thoroughly train users.
 - (d) All of the above
21. In the manufacturing industry MRP is the fundamental concept of _____.
- (a) sales management.
 - (b) production management.
 - (c) marketing management.
 - (d) human resource management.
22. An enterprise is a group of people with _____.
- (a) common goal.
 - (b) separate goal for each department.
 - (c) multiple goals.
 - (d) two or more goals.
23. _____ approaches reduces data redundancy and provide update information.
- (a) Legacy system.
 - (b) Information system.
 - (c) Integrated data model.
 - (d) Data base.
24. Expand MRP.
- (a) material requirement planning.
 - (b) manufacturing resource planning.
 - (c) manufacturing requirement planning.
 - (d) material resource planning.
25. ERP can be used in _____.
- (a) manufacturing company.
 - (b) non manufacturing company.

- (c) both manufacturing and non manufacturing companies.
- (d) any where.

Ans. (1)(c), (2)(b), (3)(d), (4)(c), (5)(a), (6)(b), (7)(a), (8)(b), (9)(d), (10)(a), (11)(d), (12)(b), (13)(b), (14)(d), (15)(a), (16)(d), (17)(d), (18)(a), (19)(d), (20)(d), (21)(b), (22)(a), (23)(c), (24)(c), (25)(c)

II Short Answer Type Questions:

1. What is an Enterprise Systems? Explain the Types of Enterprise Systems.
2. Explain how organizations support business activities by using information technologies.
3. Compare ERP Life Cycle versus SDLC
4. Describe what enterprise systems are and how they have evolved.
5. Explain the differences between internally and externally focused software applications.
6. Explain the keys to successfully implementing enterprise systems.
7. Define the term Information Age.
8. Explain the concept of big data.
9. What are the characteristics of Manual IS .
10. Define Drill down report .

III Long Answer Type Questions:

1. What is an enterprise system application suite? Describe the capabilities of the individual components of the application suite.
2. Discuss the three types of data in an enterprise system and how they are related.
3. Describes how companies deploy enterprise-wide information systems to support and integrate their various business activities.
4. Describe how companies deploy enterprise-wide information systems to coordinate better with their suppliers in order to meet changing customer demands more efficiently and effectively.
5. Explain in detail the Enterprise System Architecture..
6. Discuss the concept of enterprise application integration. How is it going to change the future of enterprise systems? Discuss.
7. Discuss the role of ES in India.
8. Discuss the reasons for ES market growth in India.
9. Define ES. Explain its features and trends in India.
10. Discuss the usefulness of ESs in business organizations. Which levels of management are supported by an Enterprise system?

UNIT – II

I Test Your Skills:

(a) Multiple Choice Questions:

- 1 The term ERP stands for
 - (a) Enterprise Resource Programme
 - (b) Enterprise Requirement Plan
 - (c) Enterprise Resource Planning
 - (d) None of the above

- 2 ERP system is a highly integrated, and enterprise wide information system that covers
 - (a) All the functional areas of an organization
 - (b) Manufacturing
 - (c) zarea of an organization
 - (d) Materials department of an organization
 - (e) Finance and Accounting of an organization

- 3 Important business challenges of business, which are the main driving reasons for adoption of ERP systems are
 - (a) Competitive Environment
 - (b) Information Age
 - (c) Enterprise Systems
 - (d) (a) and (b)

- 4 ERP systems provide a number of benefits which include
 - (a) Reduced Inventory
 - (b) Reduced Manpower
 - (c) Reduced cycle time
 - (d) All of the above

- 5 The ERP systems which are poorly conceived and/or poorly implemented, will
 - (a) fail and would not be able to provide the desired results
 - (b) may even prove fatal for the organization
 - (c) succeed after two years
 - (d) (a) and (b)

- 6 ERP systems play a vital role in supporting
 - (a) The business processes and operations of an organization

- (b) Decision making by employees and managers of an organization
 - (c) The strategies of an organization for competitive advantage
 - (d) All of the above
- 7 Any manager in an organization needs to understand
- (a) The basic concepts of ERP System
 - (b) The strategic planning process and the implementation process for ERP system
 - (c) (a) and (b)
 - (d) The computer programming used in ERP systems
- 8 ERP systems have evolved from
- (a) The Materials Requirements Planning(MRP) Systems
 - (b) The Manufacturing Requirements Planning(MRP II)
 - (c) (a) and (b)
 - (d) Artificial Intelligence Systems
- 9 Enterprise resource planning (ERP)
- (a) has existed for over a decade
 - (b) does not integrate well with functional areas other than operations
 - (c) is inexpensive to implement
 - (d) automates and integrates the majority of business processes
- 10 Enterprise resource planning (ERP)
- (a) has been made possible because of advances in hardware and software
 - (b) uses client/server networks
 - (c) creates commonality of databases
 - (d) All of the above are true of ERP
- 11 Which of the following is false concerning enterprise resource planning (ERP)?
- (a) It attempts to automate and integrate the majority of business processes.
 - (b) It shares common data and practices across the enterprise.
 - (c) It is inexpensive to implement.
 - (d) It provides and accesses information in a real-time environment
- 12 All of the following are advantages of enterprise resource planning (ERP) except it
- (a) creates commonality of databases
 - (b) increases communications and collaboration worldwide
 - (c) helps integrate multiple sites and business units

- (d) requires major changes in the company and its processes to implement
- 13 Which of the following describes an ERP system?
- (a) ERP systems provide a foundation for collaboration between departments
 - (b) ERP systems enable people in different business areas to communicate
 - (c) ERP systems have been widely adopted in large organizations to store critical knowledge used to make the decisions that drive the organization's performance
 - (d) All of the above
- 14 What is at the heart of any ERP system?
- (a) Information
 - (b) Employees
 - (c) Customers
 - (d) Database
- 15 What must a system do to qualify as a true ERP solution?
- (a) Be flexible
 - (b) Be modular and closed
 - (c) Extend within the company
 - (d) All of the above
- 16 Which of the following is a reason for ERPs explosive growth?
- (a) ERP is a logical solution to the mess of incompatible applications
 - (b) ERP addresses the need for global information sharing and reporting
 - (c) ERP is used to avoid the pain and expense of fixing legacy systems
 - (d) All of the above
- 17 Which of the following occurs when everyone involved in sourcing, producing, and delivering the company's product works with the same information?
- (a) Eliminates redundancies
 - (b) Cuts down wasted time
 - (c) Removes misinformation
 - (d) All of the above
- 18 What are the primary business benefits of an ERP system?
- (a) Sales forecasts, sales strategies, and marketing campaigns
 - (b) Market demand, resource and capacity constraints, and real-time scheduling
 - (c) Forecasting, planning, purchasing, material management, warehousing, inventory, and distribution

- (d) All of the above
- 19 Who are the primary users of ERP systems?
- (a) Sales, marketing, customer service
 - (b) Accounting, finance, logistics, and production
 - (c) Customers, resellers, partners, suppliers, and distributors
 - (d) All of the above
- 20 A major strength of MRP is its capability
- (a) to minimize labor hours used in production
 - (b) for timely and accurate replanning
 - (c) to reduce lead times
 - (d) to maximize production throughput
- 21 Material requirements plan specify
- (a) the quantities of the product families that need to be produced
 - (b) the quantity and timing of planned order releases
 - (c) the capacity needed to provide the projected output rate
 - (d) the costs associated with alternative plans
- 22 Which of the following statements is true about the MRP plan when using lot-for-lot ordering?
- (a) The quantity of gross requirements for a child item is always equal to the quantity of planned order releases for its parent.
 - (b) The quantity of gross requirements for a child item is equal to the quantity of net requirements for its parent(s) multiplied by the number of child items used in the parent assembly.
 - (c) The quantity of gross requirements for a child item is always equal to the quantity of gross requirements for its parent.
 - (d) The quantity and gross requirements for a child item is always equal to the quantity of net requirements for its parent.
- 23 MRP II is accurately described as
- (a) MRP software designed for services
 - (b) MRP with a new set of computer programs that execute on micro computers
 - (c) MRP augmented by other resource variables
 - (d) usually employed to isolate manufacturing operations from other aspects of an organization

- 24 Enterprise Resource Planning (ERP) is
- (a) severely limited by current MRP computer systems
 - (b) not related to MRP
 - (c) an advanced MRP II system that ties-in customers and suppliers
 - (d) not currently practical
- 25 The extension of MRP which extends to resources such as labor hours and machine hours, as well as to order entry, purchasing, and direct interface with customers and suppliers is
- (a) MRP II
 - (b) Enterprise Resource Planning
 - (c) the master production schedule
 - (d) closed-loop MRP

Ans. (1)(c), (2)(a), (3)(d), (4)(d), (5)(d), (6)(d), (7)(c), (8)(c), (9)(d), (10)(d), (11)(c), (12)(d), (13)(d), (14)(d), (15)(a), (16)(d), (17)(d), (18)(c), (19)(b), (20)(b), (21)(b), (22)(b), (23)(c), (24)(c), (25)(b)

II Short Answer Type Questions:

- 1 Define the term Enterprise Resource Planning.
- 2 What is ERP II?
- 3 What do you understand by the term model base?
- 4 How databases are important in ERP?
- 5 What are the advantages and limitations of ERP? Explain.
- 6 Differentiate between MRP and MRP II.
- 7 How business intelligence is achieved with the help of ERP.
- 8 Name some ERP software vendors.
- 9 Discuss the concept of ERP with the help of diagram.
- 10 How ERP helps in the efficiency of processes in organization?

III Long Answer Type Questions:

- 1 Do you think ERP systems are important for any type of the organization? Discuss.
- 2 How is the role of ERP system different from traditional information systems? Can an ERP system support all levels of management? Discuss.
- 3 Discuss the evolution of ERP systems. Do you think ERP systems overcome the limitations of traditional information systems? How?
- 4 Briefly discuss the concept of ERP systems. How are they different from ERP-II?
- 5 Illustrate the role of ERP systems in business. Do you think that ERP systems act as a backbone for the organizations? Justify your answer.

- 6 What are the main challenges for implementing an ERP system in an organization? Discuss.
- 7 What are the major components of ERP? Explain in detail.
- 8 What are the various ERP drivers? Explain
- 9 Discuss the trends of ERP in detail.
- 10 Discuss the various features of ERP in detail.

UNIT – III

I Test Your Skills:

Multiple Choice Questions

1. Supply chain management is essentially the optimisation of material flows and associated information flows involved with an organisation's operations. To manage these flows, e-business applications are essential to bring such benefits as noted in 'Internet retailing' in 2010 which reported that the average rates of return to a high street retailer could be as high as 10%. What did the same source report as the average rate of return for UK e-commerce sites?
 - (a) 15%
 - (b) 22%
 - (c) 12%
 - (d) 18%
2. Supply chain (SC) management involves the coordination of all supply activities of an organisation from its suppliers to the delivery of products to its customers. There are various features associated with this area of e-commerce and which refers to what is known as efficient consumer response (ECR):
 - (a) Creating and satisfying customer demand by optimizing strategies, promotions and product introductions
 - (b) The links between an organisation and all partners involved
 - (c) Transactions between an organisation and its customers and intermediaries
 - (d) None of the above
3. An organisation's supply chain can be viewed from a system's perspective that starts with the acquisition of resources which are then transformed into products or services. Simply, put the sequence is represented:
 - (a) Process - inputs - outputs
 - (b) Sourcing - input - process - outputs
 - (c) Inputs - outputs - process
 - (d) Inputs - process – outputs

4. Logistics is an integral part of supply chain management. Which explanation best represents outbound logistics?
- (a) A supply chain that emphasises distribution of a product to passive customers
 - (b) The management of material resources entering an organisation from its suppliers and other partners
 - (c) An emphasis on using the supply chain to deliver value to customers who are actively involved in product and service specification
 - (d) The management of resources supplied from an organisation to its customers and intermediaries
5. The 'value chain' idea is a concept that has been well established for the past three decades and it refers to considering key activities that an organization can conduct to add value for the customer. It traditionally distinguished between primary activities and support activities. Why is this concept regarded as outdated with the development of e-business?
- (a) There is a clear distinction between primary and support activities
 - (b) The concept still holds and does not need revision
 - (c) The support activities offer far more than just support
 - (d) Support activities have been subsumed under primary activities
6. A value chain analysis provides an analytical framework for an organisation to examine individual activities and determine value added at each stage. The principles can also be applied to an organisation's external value stream analysis which considers how the whole production and delivery process can be made more efficient. The activities can be categorized into those:
- (a) All of the below
 - (b) Those required for product development or production systems
 - (c) Those that do not add value
 - (d) That create value as perceived by the customer
7. Improvements in the value chain can be implemented by following Kjellsdotter and Jonsson's iterative planning cycle. Which of the following does not form part of the cycle?
- (a) Creating a consensus forecast
 - (b) Creating a preliminary delivery plan
 - (c) Creating a preliminary production plan
 - (d) Creating a quality control plan
8. What does the following definition refer to: an organisation which uses communications technology to allow it to operate without clearly define physical boundaries between different functions?
- (a) Cloud organisation

- (b) Base-free organisation
 - (c) E-organisation
 - (d) Virtual organisation
9. Using digital communication to improve supply chain efficiency is dependent on effective exchange and sharing of information. The challenges of achieving standardized data formats and data exchange have given rise to the study of the optimisation of the:
- (a) Virtual integration
 - (b) Information asymmetry
 - (c) Information supply chain
 - (d) Vertical integration
10. The typical benefits of e-supply chain management gained by a B2B company are quite comprehensive. Which of the following is false though?
- (a) Increased efficiency of individual processes
 - (b) Reduced complexity of the supply chain
 - (c) Increased costs through outsourcing
 - (d) Improved data integration between elements of the supply chain
11. What does a company's information system need to deliver to different parties who need to access the supply chain information of an organisation, whether they be employees, suppliers, logistics service providers or customers?
- (a) Password and user name reminders
 - (b) Supply chain visibility
 - (c) Radio-frequency identification of products
 - (d) None of the above
12. What was the rationale behind introducing the Global Data Synchronisation Network in 2005?
- (a) To provide a common pricing structure taking currency fluctuations into account
 - (b) To speed up e-commerce interaction
 - (c) To allow trading partners to manage each other's supply chain
 - (d) To create standards for sharing information about products
13. To manage e-supply chains effectively, benefits need to be developed into a performance management framework. Sambasivan and colleagues (2009) produced such a framework, identifying categories of measures and provided examples of metrics for each. Which of the following fits this framework?
- (a) Production level metric - range of products and services, effectiveness of scheduling techniques, capacity utilisation

- (b) Cost in supply chain - return on investment
 - (c) Supply chain finance and logistics cost - total, distribution, manufacturing, and inventory costs
 - (d) They are all accurate
14. Key to re-structuring the supply chain is the need to examine the types of relationships between partners such as suppliers and distributors. Researchers have found that low cost is the main driver in managing supply partnerships and a restructuring will often require companies to:
- (a) Reduce their number of suppliers
 - (b) Focus on core competencies
 - (c) Develop strong partnership relationships
 - (d) All of the above
15. As guidance to managing a global distribution, seven action points have been suggested. Do these include:
- (a) Do not waste money, time and energy initially
 - (b) Let distributors pick you
 - (c) Treat local distributors as short-term partners
 - (d) They are all incorrect
16. Big JIT includes all of the following EXCEPT:
- (a) Vendor relations
 - (b) Scheduling materials
 - (c) Human relations
 - (d) Technology management
17. Which of the following reasons accounts for the importance of supply chain Management?
- (a) Increasing competitive pressures
 - (b) Decreasing globalization
 - (c) Decreasing levels of outsourcing
 - (d) Increasing transportation costs
18. Which of the following is NOT a benefit of supply chain management?
- (a) Less variety
 - (b) Greater agility
 - (c) Lower inventory
 - (d) Higher productivity
19. What would be the total cost of inventory, if a firm holds 200 units of a product 'A', where the carrying cost is Rs. 2 per unit?
- (a) Rs. 202
 - (b) Rs. 100
 - (c) Rs. 198

(d) Rs. 400

20. Which of the following mathematical expressions can be employed to compute inventory cost?

- (a) Carrying cost per unit + average inventory cost
- (b) Carrying cost per unit \times average inventory cost
- (c) Carrying cost per unit \div average inventory cost
- (d) Carrying cost per unit – average inventory cost

21. Which of the following is the cost of carrying an item in inventory for a specific period of time?

- (a) Ordering cost
- (b) Holding cost
- (c) Shortage cost
- (d) Stock out cost

22. Which one of the following mathematical expressions can be employed to compute annual carrying cost?

- (a) $(Q-2)H$
- (b) $(Q+2)H$
- (c) $(Q\div 2)H$
- (d) $(Q\times 2)/H$

23. In which of the following systems an item's inventory is stored at two different locations?

- (a) Optional replenishment system
- (b) Base stock system
- (c) Two bin system
- (d) Universal bar code system method

24. Which one of the following is a condition for a successful supply chain?

- (a) A large number of suppliers
- (b) Many short-term contracts
- (c) Trust among trading partners
- (d) Continuous competitive bidding

25. JIT stands for which of the following?

- (a) Just In Time
- (b) Just In Test
- (c) Job In Time
- (d) Job Inventory Time

Ans. (1)(b), (2)(a), (3)(a), (4)(a), (5)(a), (6)(a), (7)(a), (8)(d), (9)(c), (10)(c), (11)(b), (12)(d), (13)(a), (14)(d), (15)(d), 16(c), 17(d), 18(d), 19(d), 20(a), 21(b), 22(c), 23(c), 24(c), 25(a)

II Short Answer Type Questions:

1. Discuss the main drivers of supply chain.
2. Write Short note on Just in Time
3. List some other names for just-in time manufacturing.
4. Why is total quality management (TQM) important in JIT?
5. List and explain the components of JIT purchasing.
6. Define and describe aggregate planning
7. Explain in short Collaborative Planning, Forecasting and Replenishment (CPFR)
8. What do you mean by OLTP and OLAP. Explain with differences.
9. Differentiate between MRP and MRP II.
10. What are the limitations that a Management Information System integrated ERP overcomes?

III Long Answer Type Questions:

1. What is meant by supply chain management? Discuss the main components of the supply chain management.
2. Discuss the concept of 'Request for Proposal'. How a 'Request does for Proposal' is prepared? Elaborate
3. Illustrate the concept of RFID. Discuss its uses and advantages over bar coding.
4. "Supply Chain Management is logistics taken to higher level of sophistication". Explain
5. Compare and contrast the philosophy of traditional and JIT manufacturing. What are their objectives? How do they achieve them?
6. Explain the roles of people in JIT. What is the meaning of empowerment of workers in JIT?
7. Explain the difficulty of identifying the reasons for the successes of companies that use JIT manufacturing.
8. List and explain the benefits of JIT manufacturing.
9. What is the relevance of Collaborative Planning, Forecasting and Replenishment (CPFR) in supply chain management?
10. Describe main functions of SCM in details.

UNIT – IV

I Test Your Skills:

Multiple Choice Questions:

1. Building long-term relationships with customers is essential for any business. The application of technology to achieve CRM is a key element of e-business but what does CRM stand for?
 - (a) Customer relationship management
 - (b) Customer retailing management
 - (c) Consumer relationship management
 - (d) Customer resource management

2. There are different techniques to both initiate and build relationships with customers by using a combination of online and offline techniques. What is the 'customer life cycle' though?
 - (a) Techniques to encourage customers to increase their involvement with an organisation
 - (b) The stages each customer will go through in a long-term relationship with a supplier
 - (c) An approach to building and sustaining long-term business with a customer
 - (d) The answers above are all correct

3. The four marketing activities within the customer relationship management include customer selection, customer acquisition, customer retention, plus:
 - (a) Customer referrals
 - (b) Customer cross-sell
 - (c) Customer Up-sell
 - (d) Customer extension

4. Using digital communications technologies to maximise sales to existing customers and encourage continued usage on online services is known as:
 - (a) Mass customisation
 - (b) Customer-centric marketing
 - (c) Personalisation
 - (d) Electronic customer relationship management

5. Using the Internet for relationship marketing involves integrating the customer database with websites to make the relationship targeted and personalised. Through doing this there are many benefits to be gained but which of the below is not an advantage?
 - (a) Minimises breadth, depth and nature of relationship
 - (b) Achieve mass customisation of the marketing messages

- (c) Targeting more effectively
 - (d) Lower costs
6. Accepting that a customer has agreed to opt-in to receive further information, with customer profiling the minimum amount of online information that needs to be collected is an e-mail address. What is really required though to decide if the customer is a good potential target for further communications?
- (a) Opt-out facilities to be removed
 - (b) A qualified lead
 - (c) Permission marketing
 - (d) Interruption marketing
7. RACE is a practical framework to help marketers manage and improve the commercial value gained from digital marketing. The term stands for Reach, Act, C, Engage. What does 'C' refer to?
- (a) None of the below
 - (b) Convert
 - (c) Collaborate
 - (d) Consolidate
8. Companies that understand how customers use digital media in their purchase decision buying can develop integrated communications strategies to support their customers at each stage in the buying process. Customers have individual preferences in the ways they use the web depending upon why they need to use it and this web use is known as:
- (a) Searching behaviours
 - (b) Undirected information-seekers
 - (c) Directed buyers
 - (d) Directed-information seekers
9. E-commerce managers aim to deliver the most effective mix of communications to drive traffic to their e-commerce sites. The different techniques can be characterised as:
- (a) Digital media channels
 - (b) Online marketing communications
 - (c) Offline marketing communications
 - (d) All of the above
10. A marketing campaign will not be successful if the costs of acquiring site visitors and customers are too high. The term used to describe the cost of acquiring a new customer is known as:
- (a) Cost per acquisition
 - (b) Bounce rate
 - (c) Allowable cost per acquisition

- (d) Referrer cost
11. The use of online and offline promotion techniques to increase the audience of a site is known as
- (a) Search engine optimisation
 - (b) Traffic building campaign
 - (c) Quality score
 - (d) Search engine marketing
12. Online public relations (or e-PR) should aim to maximise favourable mentions of companies, products, brands, etc which are likely to be visited by target audiences. Which of the following activities fall within the remit of e-PR?
- (a) Link building including reciprocal links
 - (b) Social networks and online communities
 - (c) Communicating with media (journalists) online
 - (d) All of the above
13. Social media (e.g. Facebook, Twitter) usage has become so widespread that to discount a social media strategy would be a mistake best avoided. Social customer relationship management (Social CRM) is a relatively new term which helps to define the broad scope of social media across the customer life cycle and value chain. The Altimeter report (2010) provides a framework for reviewing strategy implementation and is known as:
- (a) The 5Ms
 - (b) Social media CRM framework
 - (c) Social CRM modelling
 - (d) None of the above
14. Online marketing communications include the development on online partnerships and are regarded as an important part of a marketing mix. There are three key types of online partnerships; link building, affiliate marketing, and one other:
- (a) Online sponsorship
 - (b) Ad serving
 - (c) Media multiplier
 - (d) Interactive advertising
15. E-mail marketing has to make strategic plans regarding outbound and inbound e-mails. E-mail is most widely used as a prospect conversion and customer retention tool. A database of customer names, email addresses and profile information used for e-mail marketing is usually known as:
- (a) Viral marketing email directory
 - (b) House list
 - (c) Customer profiles
 - (d) Customer and prospect database

16. A strength of social media and viral marketing is:
- (a) Cannot be ignored in user's inbox
 - (b) Considered credible
 - (c) Highly targeted with controlled costs
 - (d) It is possible to reach a large number at relatively low cost
- 17 Identify the subsystems of Plant Maintenance module of an ERP system:
- I. Component Tracking
 - II. Preventive Maintenance Control
 - III. Inventory Management
 - IV. Cost Management
- (a) 1, 2 & 3
 - (b) 2, 3 & 4
 - (c) 1 & 2
 - (d) 1, 3 & 4
- 18 Identify the main components of PDM systems--
- I. Data Management
 - II. Classification of Components
 - III. Product Structure
 - IV. Document relationships
- (a) 1, 2 & 3
 - (b) 1, 4 & 3
 - (c) 2 & 3
 - (d) 4 & 3
- 19 Sub modules of Sales and Distribution modules are:
- I. Order Management
 - II. Warehouse Management
 - III. Foreign Trade
 - IV. Sales Support
- (a) 3
 - (b) 1 & 2
 - (c) 2 & 4
 - (d) 1, 2, 3 & 4
- 20 Match the following: First set:
- I. Material request management
 - II. Material Issue
 - III. Material Receipt
 - IV. Stock Valuation

Second set:

- A. receipt is issued from the seller.
 - B. Stock is verified mechanically.
 - C. Appeal for materials is made from various departments.
 - D. Materials are issued as per order.
- (a) 1A, 2B, 3C, 4D.
 - (b) 2A, 3C, 4D, 1B.
 - (c) 4A, 2C, 3D, 1B.
 - (d) 3B, 2D, 4C, 1A.

21 Components of a CRM system are:

- I. Users
 - II. Hardware and Operating Systems
 - III. CRM Software
 - IV. Business Processes
- (a) 3 & 4
 - (b) 1, 2, 3 & 4
 - (c) 2 & 4
 - (d) 1, 2 & 3

22 State whether the following are True/False.

- I. HRM defines enterprise planning for work and job roles with respect to specific language.
 - II. HRM defines staff selection and decides various phases of the project according to the policies of the company.
 - III. HRM does not facilitate recruitment process.
 - IV. HRM deploys effective search engine to easily find and sort out the profiles that is filtered with respect to the company's criteria.
- (a) 1T, 2F, 3F, 4T
 - (b) 1T, 2T, 3T, 4T
 - (c) 1T, 2T, 3F, 4T
 - (d) 1T, 2T, 3F, 4F

23 Important point to be kept in mind while evaluating ERP software is the total costs that includes

- I. Cost of license
 - II. Cost of Training
 - III. Implementation and maintenance cost.
 - IV. Customisation and hardware requirements costs.
- (a) 1, 2, & 3
 - (b) 2, 3, & 4

- (c) 1, 2, 3, & 4
- (d) 1, 2, & 4

24 Match the following sets of topology categories and their examples. First Set:

- I. Internal failure costs
- II. External failure costs
- III. Appraisal costs,
- IV. Prevention costs

Second Set:

- A. Costs of scrap.
- B. Design and development of new quality equipment
- C. Cost of inspecting upon arrival.
- D. Warranty claims.
- (a) 1A, 2D, 3C, 4B
- (b) 1C, 2B, 3D, 4A
- (c) 1C, 2D, 3A, 4B
- (d) 1C, 2A, 3B, 4D

25 World Software automatically allows the user to,

- I. Selectively mix, match and integrate software applications.
- II. Easily modify it to ongoing business, local and organization-specific requirements.
- III. Maximise productivity by shrinking the amount of training users n
- IV. Add World Vision, its advanced graphical user interface.
- (a) 1 & 3
- (b) 2, 3, & 4
- (c) 1, 2, & 3
- (d) 1, 2, & 4

Ans. (1)(a), (2)(b), (3)(d), (4)(d), (5)(a), (6)(b), (7)(b), (8)(a), (9)(d), (10)(a), (11)(b), (12)(d), (13)(a), (14)(a), (15)(b), (16)(d), (17)(c), (18)(a), (19)(d), (20)(a) (21)(b), (22)(c), (23)(c), (24)(a), (25)(d)

II Short Answer Type Questions:

1. Explain the concept of CRM.
2. What are the benefits of CRM?
3. What are on-demand CRM systems?
4. What is eCRM? Describe the Elements of e-CRM.
5. What is the difference between on-premise and cloud-based CRM?

6. How does CRM help sales?
7. What is Marketing Automation in CRM?
8. Define Open Source ERP.
9. What is mobile ERP in CRM?
10. Explain the structure of CRM systems.

III Long Answer Type Questions:

- 1 “CRM system is an integrated cross functional information system”. Justify the statement. Give conceptual model of a typical CRM system.
- 2 Describe the main challenges being faced by CRM. How can you implement a CRM system successfully in an organization?
- 3 Compare CRM system and SCM system. How are they similar and different? Discuss the technologies used in each of the system.
- 4 Explain in detail how e-CRM can be used as a Strategic Marketing Tool.
- 5 What is the relationship with TPS and IS? Explain in terms of a CRM.
- 6 What is the need of integration of MIS with ERP? How does it benefit a CRM?
- 7 What is the difference between ERP and CRM? How can they be integrated?
- 8 Explain the major drivers of CRM using examples.
- 9 Explain various trends in CRM. Explain growth and popularity of CRM in India.
- 10 Discuss the implementation of a CRM model with a suitable example.

QUESTION BANK

DATABASE MANAGEMENT SYSTEMS

MBA 247

QUESTION BANK
DATABASE MANAGEMENT SYSTEMS – MBA 239
MBA – III

UNIT - I

I Test Your Skills:

(a) Multiple Choice Questions:

- 1 Which of the following is related to information?
 - (a) Data
 - (b) Communication
 - (c) Knowledge
 - (d) All of these

- 2 Data is:
 - (a) A piece of fact
 - (b) Metadata
 - (c) Information
 - (d) None of these.

- 3 Which of the following is element of the database?
 - (a) Data
 - (b) Constraints and schema
 - (c) Relationships
 - (d) All of these.

- 4 What represent a correspondence between the various data elements?
 - (a) Data
 - (b) Constraints
 - (c) Relationships
 - (d) Schema

- 5 Which of the following is an advantage of using database system?
 - (a) Security enforcement
 - (b) Avoidance of redundancy
 - (c) Reduced inconsistency
 - (d) All of these.

- 6 Which of the following is characteristic of the data in a database?
 - (a) Independent
 - (b) Secure

- (c) Shared
 - (d) All of these.
- 7 Relationships could be of the following type:
- (a) One-to-one relationship
 - (b) One-to-many relationships
 - (c) Many-to-many relationships
 - (d) All of these.
- 8 In a file-oriented system there is:
- (a) Data inconsistency
 - (b) Duplication of data
 - (c) Data independence
 - (d) All of these.
- 9 In a database system there is:
- (a) Increased productivity
 - (b) Improved security
 - (c) Economy of scale
 - (d) All of these.
- 10 VDL is used to specify:
- (a) Internal schema
 - (b) External schema
 - (c) Conceptual schema
 - (d) None of these.
- 11 The DML provides following functional access to the database:
- (a) Retrieve data and/or records
 - (b) Add (or insert) records
 - (c) Delete records from database files
 - (d) All of these
- 12 4GL has the following components inbuilt in it:
- (a) Query languages
 - (b) Report generators
 - (c) Spreadsheets
 - (d) All of these.
- 13 Which of the following is database element?
- (a) Data
 - (b) Constraints and schema
 - (c) Relationships
 - (d) All of these.

- 14 What separates the physical aspects of data storage from the logical aspects of data representation?
- (a) Data
 - (b) Schema
 - (c) Constraints
 - (d) Relationships
- 15 What scheme defines how and where the data are organized in a physical data storage?
- (a) External
 - (b) Internal
 - (c) Conceptual
 - (d) None of these.
- 16 Which of the following schemas defines the stored data structures in terms of the database model used?
- (a) External
 - (b) Conceptual
 - (c) Internal
 - (d) None of these
- 17 Which of the following schemas defines a view or views of the database for particular users?
- (a) External
 - (b) Conceptual
 - (c) Internal
 - (d) None of these
- 18 A collection of data designed to be used by different people is called.
- (a) Database
 - (b) RDBMS
 - (c) DBMS
 - (d) None of these
- 19 Which of the following is an object-oriented feature?
- (a) Inheritance
 - (b) Abstraction
 - (c) Polymorphism
 - (d) All of these
- 20 A physical data models are used to
- (a) Specify overall logical structure of the database
 - (b) Describe data and its relationships
 - (c) Higher-level description of storage structure and access mechanism
 - (d) All of these

- 21 Which data model organizes the data in the form of tables and relations?
(a) Relational Model
(b) Hierarchical Model
(c) Network Model
- 22 Which company has developed the hierarchical model?
(a) Oracle
(b) IBM
(c) Sun Microsystems
(d) Microsoft
- 23 The name of the system database that contains descriptions of data in the database is
(a) Data dictionary
(b) Metadata
(c) Table
(d) None of these
- 24 System catalog is a system-created database that describes:
(a) Database objects
(b) Data dictionary information
(c) User access information
(d) All of these
- 25 Following is the type of metadata:
(a) Operational
(b) EDW
(c) Data mart
(d) All of these
- 26 What is refined data?
(a) Knowledge
(b) Information
(c) Statistics
(d) None of the above
- 27 Which of the following is a database element?
(a) Data
(b) Relationships
(c) Constraints and Schema
(d) All of the above
- 28 What defines how and where data are organized in physical data storage?
(a) Internal schema

- (b) External schema
 - (c) Conceptual schema
 - (d) None of the above
- 29 What defines a view or views of the database for particular users?
- (a) Internal schema
 - (b) External schema
 - (c) Conceptual schema
 - (d) None of the above
- 30 To access information from a database, you need a _____
- (a) EIS
 - (b) DBMS
 - (c) MIS
 - (d) None of the above
- 31 Which of the following is an advantage of a database?
- (a) Reduction in Redundancy
 - (b) Avoidance of inconsistency
 - (c) Security enforcement
 - (d) All of the above
- 32 Which of the following is an example of a database application?
- (a) Computerized library systems
 - (b) ATMs
 - (c) Flight reservation systems
 - (d) All of the above
- 33 DBMS stands for _____?
- (a) Data blocking and Management Systems
 - (b) Database Management Systems
 - (c) Database Business Management Systems
 - (d) None of the above
- 34 What is the name of the system database that contains descriptions of the data in the database?
- (a) Metadata
 - (b) Data dictionary
 - (c) Table
 - (d) None of the above
- 35 IMS stands for _____
- (a) Information Management System

- (b) Internal Mechanical Security
 - (c) International Managers Society
 - (d) None of the above
- 36 Which of the following is the oldest database model?
- (a) Hierarchical
 - (b) Network
 - (c) Relational
 - (d) Object Oriented
- 37 Which category of users need not be aware of the presence of the database system?
- (a) DBA
 - (b) Naive
 - (c) Casual
 - (d) Application Programmers
- 38 A relational database consists of a collection of
- (a) Tables
 - (b) Fields
 - (c) Records
 - (d) Keys
- 39 A _____ in a table represents a relationship among a set of values.
- (a) Column
 - (b) Key
 - (c) Row
 - (d) Entry
- 40 The term _____ is used to refer to a row.
- (a) Attribute
 - (b) Tuple
 - (c) Field
 - (d) Instance
- 41 The term attribute refers to a _____ of a table.
- (a) Record
 - (b) Column
 - (c) Tuple
 - (d) Key
- 42 For each attribute of a relation, there is a set of permitted values, called the _____ of that attribute.
- (a) Domain

- (b) Relation
(c) Set
(d) Schema
- 43 Database _____ , which is the logical design of the database, and the database _____, which is a snapshot of the data in the database at a given instant in time.
- (a) Instance, Schema
(b) Relation, Schema
(c) Relation, Domain
(d) Schema, Instance
- 44 Course(course_id,sec_id,semester)
Here the course_id,sec_id and semester are _____ and course is a _____ .
- (a) Relations, Attribute
(b) Attributes, Relation
(c) Tuple, Relation
(d) Tuple, Attributes
- 45 Department (dept name, building, budget) and Employee (employee_id , name, deptname,salary)
Here the dept_name attribute appears in both the relations .Here using common attributes in relation schema is one way of relating _____ relations.
- (a) Attributes of common
(b) Tuple of common
(c) Tuple of distinct
(d) Attributes of distinct
- 46 A domain is atomic if elements of the domain are considered to be _____ units.
- (a) Different
(b) Indivisible
(c) Constant
(d) Divisible
47. The tuples of the relations can be of _____ order.
- (a) Any
(b) Same
(c) Sorted
(d) Constant
- 48 The DBMS acts as an interface between what two components of an enterprise-class database system?
- (a) Database application and the database

- (b) Data and the database
 - (c) The user and the database application
 - (d) Database application and SQL
- 49 Which of the following products was an early implementation of the relational model developed by E.F. Codd of IBM?
- (a) IDMS
 - (b) DB2
 - (c) dBase-II
 - (d) R:base
- 50 The following are components of a database except _____
- (a) user data
 - (b) Metadata
 - (c) Reports
 - (d) Indexes
- 51 An application where only one user accesses the database at a given time is an example of a(n) _____ .
- (a) single-user database application
 - (b) multiuser database application
 - (c) e-commerce database application
 - (d) data mining database application
- 52 An on-line commercial site such as Amazon.com is an example of a(n) _____ .
- (a) single-user database application
 - (b) multiuser database application
 - (c) e-commerce database application
 - (d) data mining database application
- 53 SQL stands for _____ .
- (a) Structured Query Language
 - (b) Sequential Query Language
 - (c) Structured Question Language
 - (d) Sequential Question Language
- 54 Because it contains a description of its own structure, a database is considered to be _____
- (a) Described
 - (b) metadata compatible
 - (c) self-describing
 - (d) an application program

55. The following are functions of a DBMS except _____ .
- (a) creating and processing forms
 - (b) creating databases
 - (c) processing data
 - (d) administrating databases
56. Helping people keep track of things is the purpose of a(n) _____ .
- (a) Database
 - (b) Table
 - (c) Instance
 - (d) Relationship
57. A DBMS that combines a DBMS and an application generator is _____ .
- (a) Microsoft's SQL Server
 - (b) Microsoft's Access
 - (c) IBM's DB2
 - (d) Oracle Corporation's Oracle
58. Let us consider phone_number ,which can take single or several values .
Treating phone_number asan _____ permits instructors to have several phone numbers (including zero) associated with them.
- (a) Entity
 - (b) Attribute
 - (c) Relation
 - (d) Value
59. The total participation by entities is represented in E-R diagram as
- (a) Dashed line
 - (b) Double line
 - (c) Double rectangle
 - (d) Circle
60. Given the basic ER and relational models, which of the following is INCORRECT?
- (a) An attribute of an entity can have more than one value
 - (b) An attribute of an entity can be composite
 - (c) In a row of a relational table, an attribute can have more than one value
 - (d) In a row of a relational table, an attribute can have exactly one value or a NULL value
61. In an object-oriented model, one object can access data of another object by passing:
- (a) Instance variable
 - (b) Message
 - (c) Variable
 - (d) None of these

62. A view of database that appears to an application program is known as:
- (a) Schema
 - (b) Subschema
 - (c) virtual table
 - (d) none of the above
63. An abstraction concept for building composite object from their component object is called:
- (a) Specialization
 - (b) Normalization
 - (c) Generalization
 - (d) Aggregation
64. A set of objects that share a common structure and a common behavior is called:
- (a) Object
 - (b) Class
 - (c) Entity
 - (d) None of these
65. Every weak entity set can be converted into a strong entity set by:
- (a) using generalization
 - (b) adding appropriate attributes
 - (c) using aggregation
 - (d) none of the above
66. The number of entities to which another entity can be associated via a relationship set is expressed as:
- (a) Entity
 - (b) Cardinality
 - (c) Schema
 - (d) Attributes
67. The view of total database content is
- (a) Conceptual view.
 - (b) Internal view.
 - (c) External view
 - (d) Physical view
68. The file organization that provides very fast access to any arbitrary record of a file is:
- (a) Ordered file
 - (b) Unordered file
 - (c) Hashed file
 - (d) B-tree

69. What is not true about a view?
- (a) It is a definition of a restricted portion of the database
 - (b) It is a security mechanism
 - (c) It is always updatable like any other table
 - (d) All are true
70. The database schema is written in
- (a) HLL
 - (b) DML
 - (c) DDL
 - (d) DCL

Ans. (1)(a), (2)(a), (3)(d), (4)(c), (5)(d), (6)(d), (7)(d), (8)(d), (9)(d), (10)(d), (11)(b), (12)(d), (13)(d), (14)(d), (15)(a), (16)(b), (17)(b), (18)(a), (19)(b), (20)(d), (21)(a), (22)(b), (23)(b), (24)(d), (25)(d), (26)(b), (27)(d), (28)(a), (29)(b), (30)(b), (31)(d), (32)(d), (33)(b), (34)(b), (35)(a), (36)(a), (37)(b), (38)(a), (39)(c), (40)(b), (41)(b), (42)(a), (43)(d), (44)(b), (45)(c), (46)(b), (47)(a), (48)(a), (49)(b), (50)(c), (51)(a), (52)(c), (53)(a), (54)(c), (55)(a), (56)(a), (57)(b), (58)(c), (59)(b), (60)(a), 61(b), 62 (b), 63(d), 64(b), 65(b), 66(b), 67(a), 68(c), 69(c), 70(c)

II Short Answer Type Questions:

1. What is database system? Explain.
2. What is the meaning of data independence and data integrity?
3. Explain operational data, schemes and instances.
4. Explain Data models.
5. What is database management system? Why do we need a DBMS?
6. What is data dictionary? Explain its function with a neat diagram.
7. What are the components of data dictionary?
8. What is entity and attribute? Give some examples of entities and attributes in a manufacturing environment.
9. Why are relationships between entities important?
10. What is the difference between a data definition language and a data manipulation language?
11. What do you mean by redundancy? What is the difference between controlled and uncontrolled redundancy? Illustrate with examples.
12. Define the following terms:

(a) Data	(b) Database System
(c) DBMS	(d) Data Independence
(e) DBA	(f) Data Integrity
13. Who is DBA? What are the responsibilities of a DBA?
14. Discuss advantages and disadvantages of file-oriented system.

15. Discuss the advantages and disadvantages of a DBMS.
16. Explain the difference between external, internal and conceptual schemas.
17. What is a data model?
18. What is logical data independence and why is it important?
19. What is the difference between physical data independence and logical data independence?
20. Describe the structure of a DBMS.
21. Describe the main components of a DBMS.
22. What is a transaction?
23. What do you mean by a data model? Describe the different types of data models used.
24. Define the following terms:
 - (a) Data independence
 - (b) Query processor
 - (c) DDL processor
 - (d) DML processor
 - (e) Run time database manage.
25. How is traditional file processing approach different than DBMS approach? Explain.
26. What do you mean by generalization and specialization? Explain with a suitable diagram.
27. What is the difference between a candidate key and the primary key for a given relation? What is a superkey?
28. What is a foreign key constraint? Why are such constraints important? What is referential integrity?
29. What are the three data anomalies that are likely to occur as a result of data redundancy? Can data redundancy be completely eliminated in database approach? Why or why not?
30. What is Weak Entity set?
31. What is system catalog or catalog relation? How is better known as?
32. Differentiate between DBMS and RDBMS.
33. What is Relational Database Management System
34. What are the benefits of DBMS ?
35. Differentiate between Datafile and Databases.
36. Differentiate between Record and Field.
37. What four main types of actions involve databases? Briefly discuss each.
38. Discuss the advantages of using the DBMS approach.
39. Under what circumstances it is desirable to develop customized database applications?
40. Discuss the role of pre-compiler in a DBMS environment.
41. What is the use of data dictionary in database system?
42. What is the difference between a database schema and a database state?

III Long Answer Type Questions:

1. Describe the three-tier ANSI-SPARC architecture. Why do we need mapping between different schema levels? How do different schema definition languages support this architecture?
2. Discuss the advantages and characteristics of the three-tier-architecture.
3. Discuss the concept of data independence and explain its importance in a database environment.
4. Explain the difference between external, conceptual and internal schemas. How are these different schema layers related to the concepts of physical and logical data independence?
5. Describe in detail the different types of DBMS.
6. (a) Make an ER diagram for a library system? Clearly mention all the entities Their attributes and the relationship among the entities.
(b) Map this ER model into corresponding relational model.
7. How does the concept of object identity in the object-oriented model differs from the concept of entity in the entity-relationship model, and tuple equality in the relationship model?
8. What are the software components in a client-server DBMS? Compare the two-tier and three-tier client server architecture.
9. What are the differences among hierarchical, network and relational data model?
10. Explain the following with their advantages and disadvantages:
 - (a) Hierarchical database model
 - (b) Network database model
 - (c) Relational database model
 - (d) E-R data models
 - (e) Object-oriented data model.
11. Describe the basic features of the relational data model. Discuss their advantages, disadvantages and importance of the end-user and the designer.
12. A university has an entity COURSE with a large number of courses in its catalog. The attributes of COURSE include COURSE-NO, COURSE-NAME and COURSE-UNITS. Each course may have one or more different courses as prerequisites or may have no prerequisites. Similarly, a particular course may be a prerequisite for any number of course, or may not be a prerequisite for any other course. Draw an E-R diagram for this situation.
13. A company called M/s ABC Consultants Ltd. has an entity EMPLOYEE with a number of employees having attributes such as EMP-ID, EMP-NAME, EMP-ADD and EMP-BDATA. The company has another entity PROJECT that has several projects having attributes such as PROJ-ID, PROJ-NAME and START-DATE. Each employee may be assigned to one or more projects, or may be assigned to a project. A project must have at least one employee assigned and may have any number of employees assigned. An employee's billing rate may vary by project and the company wishes to record the applicable billing rate (BILL-RATE) for each employee when assigned to a particular

project. By making additional assumptions, if so required, draw an E-R diagram for the above situation.

14. Draw an E-R diagram for an enterprise or an organization you are familiar with.
15. What is meant by the term client/server architecture and what are the advantages and disadvantages of this approach?
16. Differentiate between schema, subschema and instances.
17. An organization purchases items from a number of suppliers. Suppliers are identified by SUP-ID. It keeps track of the number of each item type purchased from each supplier. It also keeps a record of supplier's addresses. Supplied items are identified by ITEM-TYPE and have description (DESC). There may be more than one such addresses for each supplier and the price charged by each supplier for each item type is stored.

Identify the entities and relationships for this organization and construct an E-R diagram.

18. Assume we have the following application that models soccer teams, the games they play, and the players in each team. In the design, we want to capture the following:
 - We have a set of teams, each team has an ID (unique identifier), name, main stadium, and to which city this team belongs.
 - Each team has many players, and each player belongs to one team. Each player has a number (unique identifier), name, DoB, start year, and shirt number that he uses.
 - Teams play matches, in each match there is a host team and a guest team. The match takes place in the stadium of the host team.
 - For each match we need to keep track of the following:
 - The date on which the game is played
 - The final result of the match
 - The players participated in the match. For each player, how many goals he scored, whether or not he took yellow card, and whether or not he took red card.
 - During the match, one player may substitute another player. We want to capture this substitution and the time at which it took place.
 - Each match has exactly three referees. For each referee we have an ID (unique identifier), name, DoB, years of experience. One referee is the main referee and the other two are assistant referee.

Design an ER diagram to capture the above requirements. State any assumptions you have that affects your design (use the back of the page if needed). Make sure cardinalities and primary keys are clear.

19. What kind of data model supports a top-down data structure to store data? What are its advantages and disadvantages?
20. How do you transform a many-to-many relationship into a relation? Give example.
21. How can we identify individual instances of a weak entity set? Describe how schema for a weak entity can be defined. How can we convert a weak entity set into a strong entity set?
22. Describe the structure of a DBMS. If your operating system is upgraded to support some new functions on OS files (e.g., the ability to force some sequence of bytes to disk),

which layer(s) of the DBMS would you have to rewrite to take advantage of these new functions?

23. Computer Sciences Department frequent fliers have been complaining to Dane County Airport officials about the poor organization at the airport. As a result, the officials decided that all information related to the airport should be organized using a DBMS, and you have been hired to design the database. Your first task is to organize the information about all the airplanes stationed and maintained at the airport. The relevant information is as follows:
- 1) Every airplane has a registration number, and each airplane is of a specific model.
 - 2) The airport accommodates a number of airplane models, and each model is identified by a model number (e.g., DC-10) and has a capacity and a weight.
 - 3) A number of technicians work at the airport. You need to store the name, SSN, address, phone number, and salary of each technician.
 - 4) Each technician is an expert on one or more plane model(s), and his or her expertise may overlap with that of other technicians. This information about technicians must also be recorded.
 - 5) Traffic controllers must have an annual medical examination. For each traffic controller, you must store the date of the most recent exam.
 - 6) All airport employees (including technicians) belong to a union. You must store the union membership number of each employee. You can assume that each employee is uniquely identified by a social security number.
 - 7) The airport has a number of tests that are used periodically to ensure that airplanes are still airworthy. Each test has a Federal Aviation Administration (FAA) test number, a name, and a maximum possible score.
 - 8) The FAA requires the airport to keep track of each time a given airplane is tested by a given technician using a given test. For each testing event, the information needed is the date, the number of hours the technician spent doing the test, and the score the airplane received on the test.

Draw an ER diagram for the airport database. Be sure to indicate the various attributes of each entity and relationship set; also specify the key and participation constraints for each relationship set. Specify any necessary overlap and covering constraints as well (in English).

The FAA passes a regulation that tests on a plane must be conducted by a technician who is an expert on that model. How would you express this constraint in the ER diagram? If you cannot express it, explain briefly.

24. Construct an ER Model for Student Administration System. Students who apply for a course are registered in the system. Short listed candidates are called for interview and their marks recorded. Selected candidates are admitted.
25. Explain how basic retrievals and modifications are done in a database using QBE language.
26. Discuss the methods of implementing join queries.
27. Draw the ER diagram for Library Management System.
28. Explain the features of EER.

29. Explain the application areas of databases.
30. Explain the difference between ER and EER model.
31. Explain UML diagrams.
32. How the abstraction process in the database approach is different from the object-oriented and object-relational databases?
33. Discuss various storage structures and search techniques used for efficient query processing.
34. How DBMS is classified on the basis of number of sites over which the database is distributed? Give example of each.
35. What concepts do high-level or conceptual data models use? How are they different from low-level or physical data models?
36. What is the difference between the two-tier and three-tier client/server architectures ?

UNIT - II

I Multiple Choice Questions:

- 1 Who developed SEQUEL?
 - (a) Dr. E.F. Codd
 - (b) Chris Date
 - (c) D.Chamberlain
 - (d) None of these
- 2 Which of the following is used to get all the columns of a table?
 - (a) *
 - (b) @
 - (c) %
 - (d) #
- 3 The first commercial RDBMS is:
 - (a) INGRESS
 - (b) DB2
 - (c) ORACLE
 - (d) None of these.
- 4 Which of the following is not a DCL statement?
 - (a) Rollback
 - (b) Grant
 - (c) Revoke
 - (d) None of these
- 5 Which of the following is the result of a select statement?
 - (a) Trigger

- (b) Index
 - (c) Table
 - (d) None of these
- 6 Which of the following clause specifies the table or tables from where the data has to be retrieved?
- (a) Where
 - (b) Table
 - (c) From
 - (d) None of these
- 7 How many tables can be joined to create a view?
- (a) 1
 - (b) 2
 - (c) Database dependent
 - (d) None of these
- 8 Which of the following can be used to get those items that fall within a range?
- (a) IN
 - (b) BETWEEN
 - (c) DISTINCT
 - (d) LIKE
- 9 Which of the following constitutes a basic set of operations for manipulating relational data?
- (a) Predicate calculus
 - (b) Relational algebra
 - (c) Relational calculus
 - (d) None of the above
- 10 Which of the following is not a relational algebraic operation that is not form the set theory?
- (a) UNION
 - (b) INTERSECTION
 - (c) CARTESIAN PRODUCT
 - (d) SELECT
- 11 Which of the following is not a relational algebraic operation that is developed specifically for the relational databases?
- (a) SELECT
 - (b) UNION
 - (c) JOIN
 - (d) PROJECT

- 12 Which is the symbol used to denote the SELECT operation?
- (a) Sigma
 - (b) Rho
 - (c) Pi
 - (d) None of the above
- 13 Which of the following operations need the participating relations to be union compatible?
- (a) UNION
 - (b) INTERSECTION
 - (c) DIFFERENCE
 - (d) All of the above
- 14 What will be the number of columns of CARTESIAN PRODCUT if the participating relations have 5 and 7 columns respectively?
- (a) 5
 - (b) 12
 - (c) 35
 - (d) None of the above
- 15 What will be the number of columns of CARTESIAN PRODCUT if the participating relations have 5 and 20 rows respectively?
- (a) 5
 - (b) 20
 - (c) 25
 - (d) 100
- 16 Which of the following is the operation that is used if we are interested in only certain attributes or columns of a table?
- (a) SELECT
 - (b) PROJECT
 - (c) UNION
 - (d) JOIN
- 17 Which of the following is not a procedural language?
- (a) Relational Algebra
 - (b) SQL
 - (c) Relational calculus
 - (d) None of the above
- 18 Who developed QBE?
- (a) C.J. Date
 - (b) E.F. Codd
 - (c) M.M. Zloof

- (d) None of the above
- 19 What is the expansion of QBE?
 - (a) Query by Example
 - (b) Query by Experiment
 - (c) Question before evaluation
 - (d) None of the above
- 20 Who developed Structured English Query Language?
 - (a) E.F. Codd
 - (b) D. Chamberlain
 - (c) Chris Date
 - (d) None of the above
- 21 Which of the following is the first commercial RDBMS?
 - (a) DB2
 - (b) INGRESS
 - (c) ORACLE
 - (d) None of the above
- 22 Which of the following is IBM's first RDBMS?
 - (a) DB2
 - (b) IMS
 - (c) SQL/DS
 - (d) None of the above
- 23 Which of the following company now known as the Oracle Corporation?
 - (a) Stepware Inc.
 - (b) Relational Software Inc.
 - (c) Rational Inc.
 - (d) Oracle Software Inc.
- 24 What is the process that is done to SQL before execution, to check for proper syntax and to optimize the request called?
 - (a) Syntax checking
 - (b) Performance tuning
 - (c) Parsing
 - (d) Optimizing
- 25 Which of the following is a valid SQL data type?
 - (a) CHARACTER
 - (b) NUMERIC
 - (c) FLOAT

- (d) All of the above
- 26 Which of the following is not a data definition language statement?
- (a) CREATE
 - (b) ALTER
 - (c) DROP
 - (d) SELECT
- 27 Which of the following is not a DCL statement?
- (a) GRANT
 - (b) REVOKE
 - (c) ROLLBACK
 - (d) None of the above
- 28 Which of the following is a comparison operator?
- (a) =
 - (b) LIKE
 - (c) BETWEEN
 - (d) All of the above
- 29 Which of the following consists of a row of column headings, together with zero or more rows of data values?
- (a) COMPOSITE INDEX
 - (b) UNIQUE INDEX
 - (c) TABLE
 - (d) None of the above
- 30 In which of the following cases will the RDBMS specify a default value for the column if there are no values for it?
- (a) NOT NULL WITH DEFAULT
 - (b) COLUMN DEFAULT
 - (c) NOT NULL UNIUE
 - (d) None of the above
- 31 Which of the following database object does not physically exist?
- (a) Base table
 - (b) Index
 - (c) View
 - (d) None of the above
- 32 How many tables can be joined to create a view?
- (a) 1
 - (b) 2

- (c) Database dependent
 - (d) None of the above
- 33 Which of the following is a structure that provides faster access to the rows of a table based on the values of one or more columns?
- (a) Table
 - (b) View
 - (c) Index
 - (d) None of the above
- 34 Which of the following index is made up of more than one column?
- (a) Composite index
 - (b) Clustered index
 - (c) Simple index
 - (d) None of the above
- 35 Which of the following index can occur only one per table?
- (a) Distinct index
 - (b) Unique index
 - (c) Simple index
 - (d) Clustered index
- 36 Which question corresponds best to the following query?
- ```
SELECT CID, CDUR - 1, ' = PRICE'
FROM COURSES
ORDER BY 2
```
- (a) Select three columns from the COURSES table, of which the third one has a constant value, i.e. “ = PRICE”. Leave an empty line after every second line.
  - (b) Select two columns from the COURSES table, the second one gets as title “ =PRICE”. Sort the data according to the second column, in ascending order.
  - (c) Select three columns from the COURSES table, of which the third one has a constant value, i.e. “ = PRICE”. Sort the data according to the second column, in ascending order.
  - (d) Select two columns from the COURSES table, of which the second one has a constant value, i.e. “ = PRICE”. Sort the data according to the second column, in ascending order
- 37 What is the default order of Order by clause?
- (a) Descending
  - (b) Ascending
  - (c) Random
  - (d) None of the above



38 View the Exhibit and examine the structure of the EMPLOYEES and DEPARTMENTS tables.

Which SET operator would you use in the blank space in the following SQL statement to list the departments where all the employees have managers?

```
SELECT department_id
FROM departments

SELECT department_id
FROM employees
WHERE manager_id IS NULL;
```

- (a) UNION
- (b) MINUS
- (c) INTERSECT
- (d) UNION ALL

39 View the Exhibit and examine the data in the EMPLOYEES tables.

Evaluate the following SQL statement: SELECT employee\_id, department\_id FROM employees

WHERE department\_id= 50 ORDER BY department\_id

UNION

SELECT employee\_id, department\_id

FROM employees

WHERE department\_id= 90

UNION

SELECT employee\_id, department\_id

FROM employees

WHERE department\_id= 10;

What would be the outcome of the above SQL statement?

- (a) The statement would execute successfully and display all the rows in the ascending order of DEPARTMENT\_ID.
- (b) The statement would execute successfully but it will ignore the ORDER BY clause and display the rows in random order.
- (c) The statement would not execute because the positional notation instead of the column name should be used with the ORDER BY clause.
- (d) The statement would not execute because the ORDER BY clause should appear only at the end of the SQL statement, that is, in the last SELECT statement.

40 Which CREATE TABLE statement is valid?

- (a) CREATE TABLE ord\_details  
(ord\_no NUMBER(2) PRIMARY KEY, item\_no NUMBER(3) PRIMARY KEY, ord\_date date NOT NULL);

- (b) CREATE TABLE ord\_details  
(ord\_no NUMBER(2) UNIQUE, NOT NULL, item\_no NUMBER(3),  
ord\_date date DEFAULT SYSDATE NOT NULL);
- (c) CREATE TABLE ord\_details  
(ord\_no NUMBER(2) ,  
item\_no NUMBER(3),  
ord\_date date DEFAULT NOT NULL, CONSTRAINT ord\_uq  
UNIQUE (ord\_no), CONSTRAINT ord\_pk PRIMARY KEY  
(ord\_no));
- (d) CREATE TABLE ord\_details  
(ord\_no NUMBER(2), item\_no NUMBER(3),  
ord\_date date DEFAULT SYSDATE NOT NULL, CONSTRAINT ord\_pk  
PRIMARY KEY (ord\_no, item\_no));

41 Pick entities from the following:

- I. vendor
- II. student
- III. attends
- IV. km/hour
- (a) i, ii, iii
- (b) i, ii, iv
- (c) i and ii
- (d) iii and iv

42 By relation cardinality we mean

- (a) number of items in a relationship
- (b) number of relationships in which an entity can appear
- (c) number of items in an entity
- (d) number of entity sets which may be related to a given entity

43 If an entity appears in only one relationship then it is

- (a) a 1:1 relationship
- (b) a 1:N relationship
- (c) a N:1 relationship
- (d) a N:M relationship

44 The different classes of relations created by the technique for preventing modification anomalies are called:

- (a) normal forms.
- (b) referential integrity constraints.
- (c) functional dependencies.
- (d) None of the above is correct.

- 45 A relation is in this form if it is in BCNF and has no multivalued dependencies:
- (a) second normal form.
  - (b) third normal form.
  - (c) fourth normal form.
  - (d) domain/key normal form.
- 46 The primary key is selected from the:
- (a) composite keys.
  - (b) determinants.
  - (c) candidate keys.
  - (d) foreign keys.
- 47 In the relational model, relationships between relations or tables are created by using:
- (a) composite keys.
  - (b) determinants.
  - (c) candidate keys.
  - (d) foreign keys.
- 48 A relation is considered a:
- (a) Column.
  - (b) one-dimensional table.
  - (c) two-dimensional table.
  - (d) three-dimensional table.
- 49 For some relations, changing the data can have undesirable consequences called:
- (a) referential integrity constraints.
  - (b) modification anomalies.
  - (c) normal forms.
  - (d) transitive dependencies.
- 50 If attribute A determines both attributes B and C, then it is also true that:
- (a)  $A \rightarrow B$ .
  - (b)  $B \rightarrow A$ .
  - (c)  $C \rightarrow A$ .
  - (d)  $(B,C) \rightarrow A$ .
- 51 One solution to the multivalued dependency constraint problem is to:
- (a) split the relation into two relations, each with a single theme.
  - (b) change the theme.
  - (c) create a new theme.
  - (d) add a composite key.

- 52 When the values in one or more attributes being used as a foreign key must exist in another set of one or more attributes in another table, we have created a(n):
- (a) transitive dependency.
  - (b) insertion anomaly.
  - (c) referential integrity constraint.
  - (d) normal form.
- 53 In a one-to-many relationship, the entity that is on the one side of the relationship is called a(n) \_\_\_\_\_ entity.
- (a) Parent
  - (b) Child
  - (c) Instance
  - (d) Subtype
- 54 Which one of the following is a set of one or more attributes taken collectively to Uniquely identify a record?
- (a) Candidate key
  - (b) Sub key
  - (c) Super key
  - (d) Foreign key
- 55 Consider attributes ID , CITY and NAME . Which one of this can be considered as a super key ?
- (a) NAME
  - (b) ID
  - (c) CITY
  - (d) CITY , ID
- 56 The subset of super key is a candidate key under what condition ?
- (a) No proper subset is a super key
  - (b) All subsets are super keys
  - (c) Subset is a super key
  - (d) Each subset is a super key
- 57 A \_\_\_\_\_ is a property of the entire relation, rather than of the individual tuples in which each tuple is unique.
- (a) Rows
  - (b) Key
  - (c) Attribute
  - (d) Fields
- 58 Which one of the following attribute can be taken as a primary key ?
- (a) Name
  - (b) Street

- (c) Id
  - (d) Department
- 59 Which one of the following cannot be taken as a primary key ?
- (a) Id
  - (b) Register number
  - (c) Dept\_id
  - (d) Street
- 60 A attribute in a relation is a foreign key if the \_\_\_\_\_ key from one relation is used as an attribute in that relation .
- (a) Candidate
  - (b) Primary
  - (c) Super
  - (d) Sub
- 61 The relation with the attribute which is the primary key is referenced in another relation. The relation which has the attribute as primary key is called
- (a) Referential relation
  - (b) Referencing relation
  - (c) Referenced relation
  - (d) Referred relation
- 62 The \_\_\_\_\_ is the one in which the primary key of one relation is used as a normal Attribute in another relation .
- (a) Referential relation
  - (b) Referencing relation
  - (c) Referenced relation
  - (d) Referred relation
- 63 A \_\_\_\_\_ integrity constraint requires that the values appearing in specified attributes of any tuple in the referencing relation also appear in specified attributes of at least one tuple in the referenced relation.
- (a) Referential
  - (b) Referencing
  - (c) Specific
  - (d) Primary
- 64 Relations produced from an E-R model will always be in:
- (a) First normal form
  - (b) Second normal form
  - (c) Third normal form
  - (d) Fourth normal form

65. In ER model the details of the entities are hidden from the user. This process is called:
- (a) Generalization
  - (b) Specialization
  - (c) Abstraction
  - (d) none of these above
66. 'AS' clause is used in SQL for
- (a) Selection operation.
  - (b) Rename operation.
  - (c) Join operation.
  - (d) Projection operation.
67. ODBC stands for
- (a) Object Database Connectivity.
  - (b) Oral Database Connectivity.
  - (c) Oracle Database Connectivity.
  - (d) Open Database Connectivity
68. In a Hierarchical model records are organized as
- (a) Graph.
  - (b) List.
  - (c) Links.
  - (d) Tree.
69. In an E-R diagram attributes are represented by
- (a) rectangle.
  - (b) square.
  - (c) ellipse
  - (d) Triangle
70. In case of entity integrity, the primary key may be
- (a) not Null
  - (b) Null
  - (c) both Null & not null
  - (d) any value
71. The language used in application programs to request data from the DBMS is referred to as the
- (a) DML
  - (b) DDL
  - (c) VDL
  - (d) SDL

72. Related fields in a database are grouped to form a
- data file.
  - data record.
  - menu.
  - bank.
73. The language which has recently become the defacto standard for interfacing application programs with relational database system is
- Oracle.
  - SQL.
  - DBase.
  - 4GL.

**Ans.** (1)(d), (2)(a), (3)(a), (4)(a), (5)(c), (6)(c), (7)(a), (8)(c), (9)(b), (10)(d), (11)(b), (12)(a), (13)(d), (14)(b), (15)(d), (16)(b), (17)(c), (18)(c), (19)(a), (20)(b), (21)(d), (22)(c), (23)(b), (24)(c), (25)(d), (26)(d), (27)(c), (28)(d), (29)(c), (30)(c), (31)(c), (32)(c), (33)(c), (34)(a), (35)(b), (36)(c), (37)(b), (38)(b), (39)(d), (40)(d), (41)(c), (42)(b), (43)(a), (44)(a), (45)(c), (46)(c), (47)(d), (48)(c), (49)(b), (50)(a), (51)(a), (52)(c), (53)(a), (54)(a), (55)(b), (56)(c), (57)(b), (58)(d), (59)(b), (60)(d), (61)(c), (62)(b), (63)(a), 64(c), 65(c), 66(b), 67(d), 68(d), 69(c), 70(a), 71(a), 72(b), 73(b)

## II Short Answer Type Questions:

- Why null values are introduced in the database?
- What primary characteristics should OID posses?
- Define the referential integrity constraints in Relational Databases.
- Why we may choose to define a view?
- Why can we have only one primary index on a file but several secondary Indexes?
- What is the retention option in a Network Model?
- Explain union compatibility of sets? Name the operations for which the condition must be checked.
- Name the situation in which DBMS approach is not suitable.
- When the following SQL command is given, what will be the effect of retrieval on the EMPLOYEE database of M/s KLY System Ltd of Table.
  - ```
SELECT EMP-NO, EMP-LNAME, EMP-FNAME, DEPT
FROM EMPLOYEE
WHERE SALARY=>4000;
```
 - ```
SELECT EMP-FNAME, EMP-LNAME, DEPT, TEL-NO
FROM EMPLOYEE
WHERE EMP-NO = 123456;
```
  - ```
SELECT EMP-NO, EMP-FNAME, DEPT, SALARY
FROM EMPLOYEE
WHERE EMP-LNAME = 'kumar';
```

```
(d)  SELECT  EMP-NO, EMP-LNAME, EMP-FNAME
      FROM    EMPLOYEE
      WHERE   SALARY=>7000;
```

Table: EMPLOYEE file of M/s KLY System Ltd.

EMPLOYEE							
EMP-NO	EMP-LNAME	EMP-FNAME	SALARY	COUNTRY	BIRTH-CITY	DEPT	TEL.NO.
106519	Mathew	Thomas	4000	India	Mumbai	DP	2431322
112233	Smith	John	4500	Italy	Rome	MFG	2423206
123456	Kumar	Rajeev	6000	India	Delhi	DP	2427982
123243	Martin	Jose	3500	India	Jamshedpur	HR	2437981
109876	Singh	Abhishek	4800	USA	NewYork	MFG	2147008
111222	Parasar	Alka	5100	USA	New Jersey	HR	2145063
165243	Kumar	Avinash	6500	UK	London	MFG	2407841

lives (person_name, street, city)

works (person_name, company_name, salary)

located_in (company_name, city)

manages (person_name, manager_name)

- 10 Consider the relational database above. Give an expression in relational algebra for each of the queries below:
- Find the name of all employees who work for National Commercial Bank.
 - Find the name and street of all employees who work for National Commercial Bank and earn more than \$150,000.
 - Find all employees who do not work for National Commercial Bank.
 - Find all employees who live in the same city as the company they work for.
 - Assume the companies may be located in several cities. Find all companies located in every city in which National Commercial Bank is located.
 - Find all employees who live in the same city and on the same street as their manager.
 - Find all employees who earn more than every employee at Jamaica Citizens Bank.
- 11 Give an expression for each of the following requests:
- Modify the database so that Jones now lives in Kingston.
 - Give all employees of National Commercial Bank a 10% raise.
 - Delete all tuples in the *works* relation for employees of National Commercial Bank.
 - Give all managers a 10% raise.
 - Give all managers a 10% raise unless the salary becomes greater than \$100,000.

- In such cases give only a 3% raise.
- 12 What is outer join?
 - 13 Discuss the various datatypes in SQL.
 - 14 Discuss the various operators in SQL.
 - 15 Explain the statement that relational algebra operators can be composed. Why is the ability to compose operators important?
 - 16 How many types of integrity constraints are there?
 - 17 Differentiate between primary and unique key.
 - 18 What is check constraint?
 - 19 What is DCL?
 - 20 What are the problems with E-R models? Differentiate between derived attributes and stored attributes. What is Role name ?
 - 21 Explain the difference among an entity, entity type and entity set.
 - 22 Differentiate between Degree and Cardinality.
 - 23 How are the three terms; Redundancy, Consistency, and Lack of integrity are interrelated in connection with a database?
 - 24 Name some commonly used logical data models.
 - 25 What are weak and strong entities? Explain with examples.
 - 26 Why do we call ER diagram a conceptual model of a database?
 - 27 What is data abstraction?
 - 28 Explain the term stored procedure, and give examples why stored procedures are useful.
 - 29 Why does a DBMS interleave the actions of different transactions instead of executing transactions one after the other?
 - 30 What must a user guarantee with respect to a transaction and database consistency? What should a DBMS guarantee with respect to concurrent execution of several transactions and database consistency?
 - 31 Explain the strict two-phase locking protocol.
 - 12 Explain the need for cursors.
 - 33 Differentiate between SQL and No SQL.
 - 34 How a database can be secured?
 - 35 What are the features of SQL?
 - 36 Differentiate between SQL and SQL *PLUS.
 - 37 Explain the components of SQL.
 - 38 Explain the term “degree of relationship type” with example.
 - 39 What is the difference between weak entity types and strong entity types?
 - 40 Explain significance of role names in the relationship.
 - 41 Explain subclasses and superclass with example.
 - 42 Discuss the concept of type inheritance.

III Long Answer Type Questions:

1. Write SQL statements to perform the following operations on the EMPLOYEE data file of M/s KLY System Ltd., of Table

Table - EMPLOYEE file of M/s KLY System Ltd.

EMPLOYEE							
EMP-NO	EMP-LNAME	EMP-FNAME	SALARY	COUNTRY	BIRTH-CITY	DEPT	TEL.NO.
106519	Mathew	Thomas	4000	India	Mumbai	DP	2431322
112233	Smith	John	4500	Italy	Rome	MFG	2423206
123456	Kumar	Rajeev	6000	India	Delhi	DP	2427982
123243	Martin	Jose	3500	India	Jamshedpur	HR	2437981
109876	Singh	Abhishek	4800	USA	NewYork	MFG	2147008
111222	Parasar	Alka	5100	USA	New Jersey	HR	2145063
165243	Kumar	Avinash	6500	UK	London	MFG	2407841

- (a) Get employee's number, employee's name, and telephone number for all employees of DP Department.
 - (b) Get employee's number, employee's name, department and telephone number for all employees of Indian origin.
 - (c) Add 250 in the salary of employees belonging to USA.
 - (d) Remove all records of employees getting salary of more than 6000.
 - (e) Add new employee details, whose details are as follows: employee no.: 106520, last name: Joseph, first name: Gorge, Salary: 8200, country: AUS, birth place: Melbourne, department: DP, and telephone no.: 334455661
2. Consider the following relational schema
 Account (account-number, branch-name, balance)
 Loan (Loan-number, branch-name, balance)
 Depositor (Customer-name, Account-number)
 Borrower (Customer-name, Loan-number)
 Write queries in SQL for the following:
- (a) Find all loan numbers for loan made at Bombay branch.
 - (b) Find all customers who have both a loan and an account at the bank.
 - (c) Find the average account balance at each branch.
 - (d) Find the number of depositors at each branch.
3. (a) How is traditional file processing approach different than DBMS approach? Explain.
 (b) Why can we have only one primary index on a file but several secondary indexes?
 (c) Define the terms: DDL, DML and DCL.
4. What is relational algebra? Discuss its various operations in detail.
 5. Give the differences between equi-join and natural join with example.
 6. Difference between inner and outer join.
 7. Explain Codd's rules for relational database.
 8. Explain the various types of constraints in Oracle. Give examples.

9. Explain the difference between using functions with and without grouping attributes in relational algebra. Give examples.
10. Define the following with respect to SQL
 - (i) Specifying alias
 - (ii) UNIQUE function
 - (iii) ORDER BY clause
 - (iv) LIKE predicate
 - (v) Asterisk (*)
11. Consider the relations given below

Borrower (id-no, name)
Book (accno., title, author, borrower-idno)

 - (a) Define the above relations as tables in SQL making real world assumptions about the type of the fields. Define the primary keys and the foreign keys.
 - (b) For the above relations answer the following queries in SQL
 - i. What are the titles of the books borrowed by the borrower whose id-no is 365.
 - ii. Find the numbers and names of borrowers who have borrowed books on DBMS in ascending order in id-no.
 - iii. List the names of borrowers who have borrowed at least two books.
12. Consider the relations defined below:

PHYSICIAN (regno, name, telno, city)
PATIENT (pname, street, city)
VISIT (pname, regno, date_of_visit, fee)

Where the regno and pname identify the physician and the patient uniquely respectively. Express queries (i) to (iii) in SQL.

 - i. Get the name and regno of physicians who are in Delhi.
 - ii. Find the name and city of patient(s) who visited a physician on 31 August 2004.
 - iii. Get the name of the physician and the total number of patients who have visited her.
 - iv. What does the following SQL query answer


```
SELECT DISTINCT name
FROM PHYSICIAN P
WHERE NOT EXISTS
( SELECT *
FROM VISIT
WHERE regno = p.regno )
```
13. Consider the following schema:

Suppliers(sid: integer, sname: string, address: string)
Parts(pid: integer, pname: string, color: string)
Catalog(sid: integer, pid: integer, cost: real)

The Catalog relation lists the prices charged for parts by Suppliers. Write the following queries in SQL:

 - i. Find the pnames of parts for which there is some supplier.
 - ii. Find the snames of suppliers who supply every part.
 - iii. Find the snames of suppliers who supply every red part.

- iv. Find the pnames of parts supplied by Acme Widget Suppliers and no one else.
 - v. Find the sids of suppliers who charge more for some part than the average cost of that part (averaged over all the suppliers who supply that part).
 - vi. For each part, find the sname of the supplier who charges the most for that part.
 - vii. Find the sids of suppliers who supply only red parts.
 - viii. Find the sids of suppliers who supply a red part and a green part.
 - ix. Find the sids of suppliers who supply a red part or a green part.
 - x. For every supplier that only supplies green parts, print the name of the supplier and the total number of parts that she supplies.
 - xi. For every supplier that supplies a green part and a red part, print the name and price of the most expensive part that she supplies.
14. Consider the following relational schema and briefly answer the questions that follow:
 Emp(eid: integer, ename: string, age: integer, salary: real)
 Works(eid: integer, did: integer, pct time: integer)
 Dept(did: integer, budget: real, managerid: integer)
- i. Define a table constraint on Emp that will ensure that every employee makes at least \$10,000.
 - ii. Define a table constraint on Dept that will ensure that all managers have age > 30.
 - iii. Define an assertion on Dept that will ensure that all managers have age > 30. Compare this assertion with the equivalent table constraint. Explain which is better.
 - iv. Write SQL statements to delete all information about employees whose salaries exceed that of the manager of one or more departments that they work in. Be sure to ensure that all the relevant integrity constraints are satisfied after your updates.
15. Consider the following relations with underlined primary keys.
 Product(P_code, Description, Stocking_date, QtyOnHand, MinQty, Price, Discount, V_code)
 Vendor(V_code, Name, Address, Phone)
 Here a vendor can supply more than one product but a product is supplied by only one vendor. Write SQL queries for the following :
- i. List the names of all the vendors who supply more than one product.
 - ii. List the details of the products whose prices exceed the average product price.
 - iii. List the Name, Address and Phone of the vendors who are currently not supplying any product.
16. Consider the following relations:
 Physician (rgno, phname, addr, phno)
 Patient (ptname, ptaddr)
 Visits(rgno, ptname, dateofvisit, fees-charged)

Answer the following in SQL :

- i. Define the tables. Identify the keys and foreign keys.
 - ii. Create an assertion that the total fees charged for a patient can not be more than Rs.1000/- assuming that patients can visit the same doctor more than once.
 - iii. Create a view Patient_visits(name, times) where name is the name of the patient and times is the number of visits of a patient.
 - iv. Display the pname, paddr of the patient(s) who have visited more than one physician in the month of May 2000 in ascending order of pname
17. What do you understand by transitive dependencies? Explain with an example any two problems that can arise in the database if transitive dependencies are present in the database.
18. Explain the six clauses of Select.
19. Differentiate between DDL, DML and DCL commands with the help of examples.
20. What are constraints ? Explain different types of constraints.
21. Create an employee table and
Insert following three employees:
- Jonie Weber, Secretary, 28, 19500.00
Potsy Weber, Programmer, 32, 45300.00
Dirk Smith, Programmer II, 45, 75020.00
- After they're inserted into the table, enter select statements to:
- i. Select all columns for everyone in your employee table.
 - ii. Select all columns for everyone with a salary over 30000.
 - iii. Select first and last names for everyone that's under 30 years old.
 - iv. Select first name, last name, and salary for anyone with "Programmer" in their title.
 - v. Select all columns for everyone whose last name contains "ebe".
 - vi. Select the first name for everyone whose first name equals "Potsy".
 - vii. Select all columns for everyone over 80 years old.
 - viii. Select all columns for everyone whose last name ends in "ith".
22. Explain relational algebra and relational calculus.
23. Discuss the naming conventions used for ER Schema diagrams.
24. Discuss the conventions for displaying an ER Schema as an ER diagram.
25. The conceptual database design should be considered as an iterative refinement process until the most suitable design is reached. List the guidelines that can help to guide the design process for EER concepts.
26. What aggregation feature is missing from ER model? How can the ER model be further enhanced to support it.
27. What are the basic operations that can change the states of relations in the database? Explain briefly.

UNIT - III

I Multiple Choice Questions:

1. Transaction ends
 - (a) Only when it is Committed
 - (b) Only when it is Rolledback
 - (c) When it is Committed or Rolledback
 - (d) None of the above

2. A Database Procedure is stored in the Database
 - (a) In compiled form
 - (b) As source code
 - (c) Both A & B
 - (d) Not stored

3. Dedicated server configuration is
 - (a) One server process – Many user processes
 - (b) Many server processes – One user process
 - (c) One server process – One user process
 - (d) Many server processes – Many user processes

4. Which of the following does not affect the size of the SGA?
 - (a) Database buffer
 - (b) Redolog buffer
 - (c) Stored procedure
 - (d) Shared pool

5. What does a COMMIT statement do to a CURSOR?
 - (a) Open the Cursor
 - (b) Fetch the Cursor
 - (c) Close the Cursor
 - (d) None of the above

6. Which of the following is TRUE?
 - (1) Host variables are declared anywhere in the program
 - (2) Host variables are declared in the DECLARE section
 - (a) Only 1 is TRUE
 - (b) Only 2 is TRUE
 - (c) Both 1 & 2 are TRUE
 - (d) Both are FALSE

7. Which of the following is NOT VALID in PL/SQL?
 - (a) Boolboolean;

- (b) NUM1, NUM2 number;
 - (c) deptnamedept.dname%type;
 - (d) date1 date := sysdate
8. Which of the following is not correct about an Exception?
- (a) Raised automatically / Explicitly in response to an ORACLE_ERROR
 - (b) An exception will be raised when an error occurs in that block
 - (c) Process terminates after completion of error sequence.
 - (d) A Procedure or Sequence of statements may be processed.
9. Which of the following is not correct about User_DefinedExceptions ?
- (a) Must be declared
 - (b) Must be raised explicitly
 - (c) Raised automatically in response to an Oracle error
 - (d) None of the above
10. A Stored Procedure is a
- (a) Sequence of SQL or PL/SQL statements to perform specific function
 - (b) Stored in compiled form in the database
 - (c) Can be called from all client environments
 - (d) All of the above
11. Which of the following statement is false?
- (a) Any procedure can raise an error and return an user message and error number.
 - (b) Error number ranging from 20000 to 20999 are reserved for user defined messages.
 - (c) Oracle checks Uniqueness of User defined errors.
 - (d) Raise_Application_error is used for raising an user defined error.
12. Find the ODD one out of the following:
- (a) OPEN
 - (b) CLOSE
 - (c) INSERT
 - (d) FETCH
13. Which of the following is a cursor operation?
- (a) DECLARE
 - (b) OPEN and FETCH
 - (c) CLOSE
 - (d) All of the above
14. Which of the following is not an executable statement?
- (a) DECLARE

- (b) OPEN
 - (c) FECTH
 - (d) CLOSE
15. Which of the following is the clause that makes a singleton SELECT different from the normal SELECT?
- (a) WHERE
 - (b) INTO
 - (c) IN
 - (d) None of the above
16. How many attributes are associated with cursors?
- (a) 1
 - (b) 2
 - (c) 3
 - (d) 4
17. Which of the following attribute of implicit cursor always evaluates to false?
- (a) %FOUND
 - (b) %OPEN
 - (c) %NOTFOUND
 - (d) %ROWCOUNT
18. Which of the following can be used to supplement declarative referential integrity, to enforce complex business rules or to audit changes to data?
- (a) Synonyms
 - (b) Tables
 - (c) Triggers
 - (d) None of the above
19. Which of the following can initiate a trigger?
- (a) INSERT
 - (b) UPDATE
 - (c) DELETE
 - (d) All of the above
20. Which of the following SQL standard support triggers?
- (a) SQL-89
 - (b) SQL-2
 - (c) SQL-3
 - (d) SQL-4
21. Which of the following trigger is executed once for each row in a transaction?
- (a) Row-level Triggers

- (b) Statement-level Triggers
 - (c) Repetitive Triggers
 - (d) All of the above
22. Which of the following is the default trigger that is created using the CREATE TRIGGER command?
- (a) Row level Trigger
 - (b) Statement level Trigger
 - (c) BEFORE Trigger
 - (d) AFTER Trigger
23. Which of the following command is used to delete a trigger?
- (a) DELETE TRIGGER
 - (b) REPLACE TRIGGER
 - (c) DROP TRIGGER
 - (d) None of the above
24. What is the name of a trigger that initiates another trigger?
- (a) Triggering Trigger
 - (b) Automatic Initiation Trigger
 - (c) Cascading Trigger
 - (d) None of the above
25. Which of the following specifies a boolean expression that must be true for the trigger to fire?
- (a) Trigger Action
 - (b) Triggering Event
 - (c) Trigger Restriction
 - (d) None of the above
26. Which of the following trigger will be executed before modifying each row affected by the triggering statement?
- (a) Before Statement Trigger
 - (b) After Row Trigger
 - (c) Before Row Trigger
 - (d) None of the above
27. Which of the following is not true in case of triggers?
- (a) Triggers accept parameters.
 - (b) Triggers are executed implicitly
 - (c) Execution of triggers is transparent to the users.
 - (d) A trigger can invoke another trigger.

28. A database is divided into logical storage units called as
- Tables
 - Records
 - Tablespaces
 - None of the above
29. A file used to govern the initialization of the instance is known as
- Shared file
 - Parameter file
 - Read-only file
 - None of the above
30. SGA stands for
- System Go Ahead
 - Software Global Area
 - System Global Area
 - None of the above
31. Under which two circumstances do you design database triggers? (Choose two)
- To duplicate the functionality of other triggers.
 - To replicate built-in constraints in the Oracle server such as primary key and foreign key.
 - To guarantee that when a specific operation is performed, related actions are performed.
 - For centralized, global operations that should be fired for the triggering statement, regardless of which user or application issues the statement.
32. This statement fails when executed:
- ```
CREATE OR REPLACE TRIGGER CALC_TEAM_AVG
AFTER INSERT ON PLAYER
BEGIN
INSERT INTO PLAYER_BATSTAT (PLAYER_ID, SEASON_YEAR, AT_BATS,
HI TS)
VALUES (: NEW.ID, 1997, 0, 0) ;
END;
```
- To which type must you convert the trigger to correct the error?
- Row
  - Statement
  - ORACLE FORM trigger
  - Before
33. The OLD and NEW qualifiers can be used in which type of trigger?
- Row level DML trigger

- (b) Row level system trigger
  - (c) Statement level DML trigger
  - (d) Row level application trigger
  - (e) Statement level system trigger
  - (f) Statement level application trigger
34. Trigger are not supported in
- (a) Delete
  - (b) Update
  - (c) Views
  - (d) All of the mentioned
35. The CREATE TRIGGER statement is used to create the trigger. THE \_\_\_\_\_ clause specifies the table name on which the trigger is to be attached. The \_\_\_\_\_ specifies that this is an AFTERINSERT trigger.
- (a) for insert, on
  - (b) On, for insert
  - (c) For, insert
  - (d) Both a and c
36. What are the after triggers ?
- (a) Triggers generated after a particular operation
  - (b) These triggers run after an insert, update or delete on a table
  - (c) These triggers run after an insert, views, update or delete on a table
  - (d) Both b and c
37. The variables in the triggers are declared using
- (a) -
  - (b) @
  - (c) /
  - (d) /@
38. Which of the following is NOT an Oracle-supported trigger?
- (a) BEFORE
  - (b) DURING
  - (c) AFTER
  - (d) INSTEAD OF

39. Which of the following is true concerning triggers?
- (a) We do not create them with SQL.
  - (b) They execute against only some applications that access a database.
  - (c) They have an event, condition, and action.
  - (d) They cannot cascade (cause another trigger to fire).
40. Which prefixes are available to Oracle triggers?
- (a) : new only
  - (b) : old only
  - (c) Both :new and : old
  - (d) Neither :new nor : old
41. Which type of entity represents a logical generalization whose actual occurrence is represented by a second, associated entity?
- (a) Supertype entity
  - (b) Subtype entity
  - (c) Archetype entity
  - (d) Instance entity
42. Which of the following is the preferred way to recover a database after a transaction in progress terminates abnormally?
- (a) Rollback
  - (b) Rollforward
  - (c) Switch to duplicate database
  - (d) Reprocess transactions
43. Concurrency control is important for which of the following reasons?
- (a) To ensure data integrity when updates occur to the database in a multiuser environment
  - (b) To ensure data integrity when updates occur to the database in a single-user environment
  - (c) To ensure data integrity while reading data occurs to the database in a multiuser environment
  - (d) To ensure data integrity while reading data occurs to the database in a single-user environment
44. The transaction log includes which of the following?
- (a) The before-image of a record
  - (b) The after-image of a record
  - (c) The before and after-image of a record
  - (d) The essential data of the record

- 45 Which of the following is **not** true of SQL views?
- (a) Oracle views cannot use the ORDER BY clause in view definitions.
  - (b) Oracle views are created using the standard SQL-92 CREATE VIEW command.
  - (c) Oracle views can be queried.
  - (d) The SQL-92 standard does not allow the use of the ORDER BY clause in view definitions.
- 46 Which of the following is NOT an Oracle-supported trigger?
- (a) BEFORE
  - (b) DURING
  - (c) AFTER
  - (d) INSTEAD OF
- 47 What is the type of Oracle backup in which all uncommitted changes have been removed from the datafiles?
- (a) Full backup
  - (b) Consistent backup
  - (c) Inconsistent backup
  - (d) Differential backup
- 48 Which of the following is true concerning a procedure?
- (a) You do not create them with SQL.
  - (b) They do not need to have a unique name.
  - (c) They include procedural and SQL statements.
  - (d) They are the same thing as a function.
- 49 A CASE SQL statement is which of the following?
- (a) A way to establish an IF-THEN-ELSE in SQL.
  - (b) A way to establish a loop in SQL.
  - (c) A way to establish a data definition in SQL.
  - (d) All of the above.
- 50 Which of the following statements is true concerning routines and triggers?
- (a) Both consist of procedural code.
  - (b) Both have to be called to operate.
  - (c) Both run automatically.
  - (d) Both are stored in the database.
- 51 How many bytes does each character in the UTF8 encoding take up?
- (a) 1
  - (b) 2

- (c) 3
  - (d) All mentioned above
- 52 PL/SQL has two types of subprograms, procedures and functions. Which subprogram is used to compute a value?
- (a) Procedure
  - (b) Function
  - (c) Both A & B
  - (d) None of the above
- 53 Which datatype is not allowed in the definition of PL/SQL record?
- (a) A Collection
  - (b) A Scalar
  - (c) Both A & B
  - (d) None of the above
- 54 In the SQL Cursor, which attribute is TRUE when a cursor has some remaining rows to fetch, and FALSE when a cursor has no rows left to fetch?
- (a) %ROWCOUNT
  - (b) %FOUND
  - (c) %NOTFOUND
  - (d) %ISOPEN
- 55 For which Exception, if a SELECT statement attempts to retrieve data based on its conditions, this exception is raised when no rows satisfy the SELECT criteria?
- (a) TOO\_MANY\_ROWS
  - (b) NO\_DATA\_FOUND
  - (c) VALUE\_ERROR
  - (d) DUP\_VAL\_ON\_INDEX
- 56 In the PL/SQL block below, how many rows will be inserted in the messages table?
- ```

DECLARE
v_start_salesNUMBER := 2;
v_end_sales NUMBER := 100;
BEGIN
FOR i IN v_start_sales..v_end_sales LOOP
INSERT INTO messages(msgid)
VALUES v_start_sales;
END LOOP;
END;
```
- (a) 0
 - (b) 99
 - (c) 1

- (d) 100
- 57 Which collection type is also known as index-by tables, lets you look up elements using arbitrary numbers and strings for subscript values?
- (a) Associative arrays
 - (b) Nested tables
 - (c) Varrays
 - (d) None of the above
- 58 Assigning a value to a collection element can cause exceptions, such as
- (a) If the subscript is NULL or is not convertible to the right datatype, PL/SQL raises the predefined exception VALUE_ERROR. Usually, the subscript must be an integer. Associative arrays can also be declared to have VARCHAR2 subscripts.
 - (b) If the subscript refers to an uninitialized element, PL/SQL raises SUBSCRIPT_BEYOND_COUNT.
 - (c) If the collection is atomically null, PL/SQL raises COLLECTION_IS_NULL.
 - (d) All mentioned above
- 59 Which is a procedural extension of Oracle- SQL that offers language constructs similar to those in imperative programming languages?
- (a) PQL
 - (b) Advanced SQL
 - (c) PL/SQL
 - (d) SQL
- 60 Which of the following retains duplicate rows in the result of a query or in an Aggregate expression?
- (a) ALL
 - (b) DISTINCT
 - (c) PRIOR
 - (d) None of the above
61. Which of the following is an aggregate function in SQL?
- (a) Union
 - (b) Like
 - (c) Group By
 - (d) Max
62. Which command is used to add a column to an existing table?
- (a) Create
 - (b) Update
 - (c) Alter
 - (d) None of these

63. A deadlock exists in the system if and only if the wait for graph:
- (a) has a cycle in it
 - (b) has a path from first node to last node
 - (c) is a tree
 - (d) none of the above
64. Rollback of transactions is normally used to:
- (a) recover from transaction failure
 - (b) update the transaction
 - (c) retrieve old records
 - (d) repeat a transaction
65. The DBMS language component which can be embedded in a program is
- (a) The data definition language (DDL).
 - (b) The data manipulation language (DML).
 - (c) The database administrator (DBA).
 - (d) A query language
66. The statement in SQL which allows to change the definition of a table is
- (a) Alter.
 - (b) Update.
 - (c) Create.
 - (d) select.
67. A DBMS query language is designed to
- (a) support end users who use English-like commands.
 - (b) support in the development of complex applications software.
 - (c) specify the structure of a database.
 - (d) all of the above.
68. Which of the following is correct
- (a) a SQL query automatically eliminates duplicates.
 - (b) SQL permits attribute names to be repeated in the same relation.
 - (c) a SQL query will not work if there are no indexes on the relations
 - (d) None of these
69. Which of the following is a valid SQL type?
- (a) CHARACTER
 - (b) NUMERIC
 - (c) FLOAT
 - (d) All of the above

70. Which of the following is a legal expression in SQL?
- (a) SELECT NULL FROM EMPLOYEE;
 - (b) SELECT NAME FROM EMPLOYEE;
 - (c) SELECT NAME FROM EMPLOYEE WHERE SALARY = NULL;
 - (d) none of the above

Ans. (1)(c), (2)(c), (3)(c), (4)(c), (5)(d), (6)(b), (7)(b), (8)(c), (9)(c), (10)(d), (11)(c), (12)(c), (13)(d), (14)(a), (15)(b), (16)(d), (17)(b) (18)(c), (19)(d), (20)(c), (21)(a), (22)(b), (23)(c), (24)(c), (25)(c), (26)(c), (27)(a), (28)(c), (29)(b), (30)(c), (31)(c), (32)(a), (33)(a), (34)(c), (35)(b), (36)(b), (37)(b), (38)(b), (39)(c), (40)(c), (41)(c), (42)(a), (43)(a), (44)(d), (45)(a), (46)(b), (47)(b), (48)(c), (49)(a), (50)(a) (51)(d), (52)(b) (53)(a), (54)(b), (55)(d), (56)(b), (57)(a), (58)(d), (59)(c), (60)(a), 61(d), 62(c), 63(a), 64(a), 65(b), 66(a), 67(d), 68(d),69(d), 70(b)

II Short Answer Type Questions:

- 1 Write a short note on PL/SQL.
- 2 Explain the types of variables in PL/SQL.
- 3 What are the limitations of PL/SQL?
- 4 What are the advantages of PL/SQL?
- 5 Compare scalar and composite data types of PL/SQL.
- 6 What are reserved words? Can these be used as identifiers?
- 7 What are literals?
- 8 How many values can a scalar variable contain?
- 9 What is required in variable declaration?
- 10 What is a variable's scope?
- 11 What do you understand by a variable's visibility?
- 12 What is meant by implicit and explicit type conversion?
- 13 What is transaction handling? How does PL/SQL carry it out?
- 14 Write a short note on cursors in PL/SQL.
- 15 What are four cursor commands?
- 16 How is data retrieved from a cursor? What implications does this process bring to cursor attributes?
- 17 Define a procedure in PL/SQL.
- 18 Difference between actual and formal parameters.
- 19 What is a trigger?
- 20 What is the difference between a trigger and procedure?
- 21 What are row level and statement level triggers?
- 22 Write syntax to create a trigger.
- 23 When would you recommend BEFORE triggers.
- 24 How do you access column values in triggers?
- 25 What are tablespaces?
- 26 What are instances?
- 27 Difference between SQL and PL/SQL.

- 28 Define stored procedure.
- 29 Distinguish between cursor and trigger.
- 30 What are the components of Physical Storage in Oracle database system?
- 31 What is the importance of a Control File?
- 32 Why are I/O costs important in a DBMS?
- 33 What is the role of the buffer manager in a DBMS? What is the role of the disk space manager? How do these layers interact with the file and access methods layer?
- 34 What is an index on a file of records? What is a search key for an index? Why do we need indexes?
- 35 What is the difference between a clustered index and an unclustered index? If an index contains data records as 'data entries,' can it be unclustered?
- 36 What is lock thrashing and when does it occur?
- 37 Write a program using PL/SQL to reverse a string.
- 38 Write a program to find all Armstrong number in the range of 0 to 999.
- 39 What are the two types of variable attributes in PL/SQL ?
- 40 What are composite data types ?
- 41 How records are initialized in PL/SQL ?
- 42 What is the use of EXISTS function in SQL?
- 43 Explain use of a) nested queries, b) triggers, c) joined tables nad outer joins In SQL.
44. Explain the difference between a specialization hierarchy and a specialization lattice?
- 45 Why is tuple ordering not part of a relation definition?
- 46 Why are duplicate tuples are not allowed in a relation?

III Long Answer Type Questions:

- 1 Explain the key features of Oracle in detail.
- 2 Describe the architecture of PL/SQL.
- 3 Explain the data types of PL/SQL.
- 4 Discuss various types of blocks in PL/SQL.
- 5 How errors in a PL/SQL block are be managed?
- 6 What different types of procedures are supported in PL/SQL? Give an example of each.
- 7 How are stored procedures different from local procedures?
- 8 What are the advantages of stored procedures?
- 9 What is a function? Is it another type of stored procedure? Why? How?
- 10 A bank accepts fixed deposits for one year or more and the policy it adopts on interest is as follows:
 - (i) If a deposit is less than Rs. 2000 and for 2 or more years, the interest rate is 5% compound annually.
 - (ii) If a deposit is Rs. 2000 or more but less than 6000 and for 2 or more years, the interest rate is 7% compounded annually.

- (iii) If a deposit is more than Rs. 6000 and is for 1 year or more, the interest is 8% compounded annually.
- (iv) On all deposits for 5 years or more, interest is 10% compounded annually.
- (v) On all other deposits not covered by above conditions, the interest is 3% compounded annually.

Given the amount deposited and the number of years, write a program to calculate the money in the customer's account at the end of the specified time.

- 11 Write PL/SQL script to determine whether the salary (field sal) of employee 2763 in EMP table is less than 7500 or not. If it is, give the employee an increment of 15% otherwise display a message 'No increment given'.
- 12 Write PL/SQL script to print complete ASCII table.
- 13 A table called STUDENT is present in the database. The attributes of the table are Rollno, Name, Mark1, Mark2, Mark3, TotMark. Do the following:
 - (i) Write PL/SQL blocks to update TotMark as Mark1+Mark2+Mark3.
 - (ii) Also insert details into Result, which should contain RollNo, Name and Result where Result is "Pass" if TotMark is more than 32 otherwise, Result is "Fail".
- 14 Create a stored procedure that provides the details of customer name and city from table CUSTOMERS having structure (cid, cname, city, status, credit). To obtain these details, the customer number is passed to the procedure.
- 15 Write PL/SQL script that uses an explicit cursor named cur_student to retrieve the first and last name from all the records in the STUDENT table, and then displays each first and last name using DBMS_OUTPUT command. Use a LOOP...EXIT WHEN loop to process the cursor.
- 16 Create a trigger that raises an error if a user attempts to delete a row from the employee table
- 17 Create a trigger that prints the change in salary every time salary of an employee is changed.
- 18 Discuss the architecture of Oracle in detail.
- 19 Discuss the background processes of Oracle in detail.
- 20 Consider the table Employee (empno, ename, job, deptno, salary). Write a PL/ SQL code to increase the salary of the empno 7369 by 30percent, if he is a 'Manager' , by 20 percent , if he is a 'Salesman' otherwise increase his salary by 10 percent.
- 21 What are users defined and system defined exceptions in Oracle? How are they handled?
- 22 What are the components of Logical Storage in Oracle database system? Explain.
- 23 What are parameterized cursors? Explain in detail.
- 24 Discuss the various control structures of PL/SQL with examples.
- 25 What are implicit and explicit cursors in Oracle? Explain.
- 26 Explain how data retrieval, insertion and deletion are done using B tree and B+ tree indices.
- 27 Explain static hash function. What is the need for dynamic hash function?
- 28 Discuss the alternatives available for quick processing of multiple key access queries.
- 29 Discuss the various strategies for processing a three way join query.
- 30 Discuss the 2PC(2 Phase commitment) Protocol, and its significance.

- 31 Write a PL/SQL program to find out the salaries of employees by using PL/SQL tables.
- 32 Explain how the records can be assigned in PL/SQL.
- 33 Write a program that will accept the employee number and return the details of that employee by using the %TYPE attribute.
- 34 Write a program that will raise the TOO_MANY_ROWS exception.
- 35 Write a program that will raise the NO_DATA_FOUND exception when the SELECT statement does not retrieve any record.
- 36 Give reasons why SQL does not automatically eliminate duplicate tuples in the results of queries. Which keyword is used to eliminate duplicate tuples from the result? Give example.
- 37 Explain the different meanings of NULL with example. Why SQL does not allow to compare an attribute value to NULL using = and <> operator?
- 38 Discuss various reasons that lead to the occurrence of NULL values in relations.
- 39 Explain the character-string data types and bit-string data types.
- 40 Discuss the followings: the SQL with clause, SQL CASE construct, Triggers, Nested queries

UNIT - IV

I Multiple Choice Questions:

- 1 If every non-key attribute is functionally dependent on the primary key, then the relation will be in:
 - (a) First normal form
 - (b) Second normal form
 - (c) Third normal form
 - (d) Fourth normal form

- 2 Given the functional dependencies
 $X \rightarrow W$; $X \rightarrow Y$; $Y \rightarrow Z$ and $Z \rightarrow PQ$

Which of the following doesn't hold well?

 - (a) $X \rightarrow Z$
 - (b) $W \rightarrow Z$
 - (c) $X \rightarrow WY$
 - (d) None of the above

- 3 Relations produced from an E-R model will always be in
 - (a) First normal form
 - (b) Second normal form
 - (c) Third normal form
 - (d) Fourth normal form

- 4 Third normal form is inadequate in situation where the relation
- Has multiple candidate keys
 - Has candidate keys that are composite
 - Has overlapped candidate keys
 - None of the above
- 5 An attribute of one table matching the primary key of another table, is called as
- Foreign key
 - Secondary key
 - Candidate key
 - Composite key
- 6 If a relation scheme is in BCNF, then it is also in
- First normal form
 - Second normal form
 - Third normal form
 - Fourth normal form
- 7 A primary key when combined with a foreign key create
- Parent child relationship between the tables that connect them.
 - Network model between the tables that connect them.
 - Many-to-many relationship between the tables that connect them.
 - None of the above.
- 8 The set of permitted value for each attribute is called its
- Attribute set
 - Attentive range
 - Domain
 - Group
- 9 The airline reservation system, the enables are date, flight number, place of departure, destination, type of plane & seats available. The primary key is
- Flight number
 - Flight number + place of departure
 - Flight number+ date
 - Flight number + destination
- 10 A functional dependency of the form $X \rightarrow Y$ is trivial if
- $Y \subseteq X$
 - $Y \subset X$
 - $X \subset Y$
 - $X \subset Y$ and $Y \subset X$

- 11 The concept of locking can be used to solve the problem of
- (a) Lost update
 - (b) Uncommitted dependency
 - (c) Inconsistent data
 - (d) Deadlock
- 12 In transactions, in ACID property A stands for
- (a) Atomicity
 - (b) Acidity
 - (c) Alphabetically
 - (d) None of the above.
- 13 Assume transaction A holds a shared lock R. If transaction B also requests for a shared lock on R.
- (a) It will result in a deadlock situation.
 - (b) It will immediately be granted.
 - (c) It will immediately be rejected.
 - (d) It will be granted as soon as it is released by A.
- 14 A schedule S of n transactions is serializable if it is equivalent to some
- (a) Serial schedule of the same n transactions.
 - (b) Non-serial schedule of the same n transactions.
 - (c) Serial schedule of different n transactions.
 - (d) Non-serial schedule of different n transactions.
- 15 In two-phase locking protocol.
- (a) All unlocking operations precede the first lock operation.
 - (b) All locking operations precede the first unlock operation.
 - (c) Locking and unlocking takes place simultaneously.
 - (d) None of the above.
- 16 Transaction timestamp is:
- (a) Not unique for each transaction
 - (b) Larger for older transaction
 - (c) Unique identifier assigned to each transaction.
 - (d) None of the above.
- 17 The granularity of a database item can be chosen to be
- (a) A whole file
 - (b) A database record
 - (c) The whole database
 - (d) All of the above.

- 18 If the complete execution of the transaction(s) takes the database from one consistent state to the other then that property of transaction is called:
- (a) Isolation
 - (b) Durability
 - (c) Consistency preservation
 - (d) None of the above
- 19 Which of the following is not the state that the transaction undergoes?
- (a) Failed
 - (b) Active
 - (c) Partially committed
 - (d) Non active
- 20 Timestamp can be generated by:
- (a) Counter
 - (b) Current date/time
 - (c) None of the above
 - (d) Both (a) and (b)
- 21 Which of the following is the formal process for deciding which attributes should be grouped together in a relation?
- (a) Normalization
 - (b) Performance Tuning
 - (c) Optimization
 - (d) None of the above
- 22 Who developed normalization process?
- (a) C.J. Date
 - (b) E.F. Codd
 - (c) Donald Chamberlain
 - (d) Collin White
- 23 Who developed the BCNF?
- (a) Boyd and Cromwell
 - (b) Date and Codd
 - (c) Date and White
 - (d) Boyce and Codd
- 24 What is the expansion of BCNF?
- (a) Boyd-Cromwell Normal Form
 - (b) Boyce-Codd Normal Form
 - (c) Boyd-Codd Normal Form
 - (d) All of the above

- 25 Which of the following is the result of a transitive dependency?
- (a) Insertion anomaly
 - (b) Modification anomaly
 - (c) Deletion anomaly
 - (d) All of the above
- 26 Which of the following is true?
- (a) Normalized data is the best representation of data.
 - (b) Data stored non-redundantly will be accessed faster than data stored many times.
 - (c) Normalized tables are the best way to store data.
 - (d) All of the above
- 27 How many inference rules are there for functional dependencies?
- (a) 4
 - (b) 5
 - (c) 6
 - (d) 7
- 28 Which property ensures that each functional dependency is represented in some individual relations resulting after decomposition?
- (a) Dependency preservation property
 - (b) Fully Functional dependency
 - (c) Lossless Join
 - (d) None of the above
- 29 Every relation in BCNF is also in
- (a) 3NF
 - (b) 2NF
 - (c) 1NF
 - (d) None of the above
- 30 A table that contains one or more repeating groups is in which normal form?
- (a) 1NF
 - (b) 2NF
 - (c) 3NF
 - (d) Unnormalized Form
- 31 A relation is said to be in 3 NF if
- (i) it is in 2 NF
 - (ii) non-key attributes are independent of one another
 - (iii) key attribute is not dependent on part of a composite key
 - (iv) has no multi-valued dependency

- (a) i and iii
 (b) i and iv
 (c) i and ii
 (d) ii and iv
- 32 Given the following relation it is not 3 NF because
 Student (roll no, name, course no, course max. marks, year of study, address)
 (a) it is not in 2 NF
 (b) it does not have composite key
 (c) non-key attributes course no and course max. marks are functionally dependent
 (d) it has more than 3 non-key attributes
- 33 Given the following relation
 Student (roll no, name, course no, course max. marks, year of study, address)
 The corresponding 3 NF relations are
 (a) student (roll no, name, year of study, address)
 course (course no, course max. marks)
 (b) student (roll no, name, year of study, address)
 student (roll no, course no)
 course (course no, course max. marks)
 (c) student (roll no , name, address)
 year (roll no, year of study)
 course (course no, course max. marks)
 (d) student (roll no, name, address)
 course (course no, course max. marks, year of study)
- 34 BoyeCodd Normal Form (BCNF) is needed when
 (a) two non-key attributes are dependent
 (b) there is more then one possible composite key
 (c) there are two or more possible composite overlapping keys and one attribute of a composite key is dependent on an attribute of another composite key
 (d) there are two possible keys and they are dependent on one another
- 35 A relation is said to be in BCNF when
 (a) it has overlapping composite keys
 (b) it has no composite keys
 (c) it has no multivalued dependencies
 (d) it has no overlapping composite keys which have related attributes

- 36 A 3 NF relation is converted to BCNF by
- removing composite keys
 - removing multivalued dependencies
 - dependent attributes of overlapping composite keys are put in a separateRelation
 - dependent non-key attributes are put in a separate table
- 37 BCNF is needed because
- otherwise tuples may be duplicated
 - when a data is deleted tuples may be lost
 - updating is otherwise difficult
 - when there is dependent attributes in two possible composite keys one of the attributes is unnecessarily duplicated in the tuples
- 38 Given the relation
Supplier(s_id, p_order, s_name, qty)
Given that there is a unique s_name for each s_id and that s_id, p_order is a composite key, find the correct statement among the following:
- this relation is a BCNF
 - this is 3 NF relation
 - this is a 2 NF relation
 - this is a 1 NF relation
- i and ii
 - ii and iii
 - i and iv
 - i and iii
- 39 A relation project guidance
Project Guidance(professor, project, student no. st-name, dept)
A professor can give many projects to many students
A project will have many students
A project may be guided by many professors
The 4 NF relation corresponding to this are
- Prof_Project (professor, st_name, dept)
Proj_stud (project, student no.)
 - Prof_stud (professor, student no)
Proj_stud (project, student no)
 - Student (student no, st_name, dept)
Student (student no, st_name, dept)
 - Professor(professor, project)
Professor(professor, project, dept)

Student (student no, st_name, dept)

- 40 A 3 NF relation is split into 4 NF
- (a) by removing overlapping composite keys
 - (b) by splitting into relations which do not have more than one independent multivalued dependency
 - (c) removing multivalued dependency
 - (d) by putting dependent non-key attribute in a separate table
- 41 Using the SQL GROUP BY phrase with a SELECT statement can help detect which of the following problems?
- (a) The multivalued, multicolumn problem
 - (b) The inconsistent values problem
 - (c) The missing values problem
 - (d) The general-purpose remarks column problem
- 42 What SQL command will allow you to change the table STUDENT to add the constraint named GradeCheck that states that the values of the Grade column must be greater than 0?
- (a) ALTER TABLE STUDENT ALTER CONSTRAINT GradeCheck (Grade > 0);
 - (b) ALTER TABLE STUDENT ADD CONSTRAINT GradeCheck (Grade > 0);
 - (c) ALTER TABLE STUDENT ADD CONSTRAINT GradeCheck CHECK (Grade > 0);
 - (d) None of the above is correct.
- 43 The NOT EXISTS keyword will be true if:
- (a) any row in the subquery meets the condition.
 - (b) all rows in the subquery fail the condition.
 - (c) both of these two conditions are met.
 - (d) neither of these two conditions is met.
- 44 Changing cardinalities in a database is:
- (a) a common database design task.
 - (b) a rare database design task, but does occur.
 - (c) a database design task that never occurs.
 - (d) is impossible to do, so a new database must be constructed and the data moved into it.
- 45 Which one of the following sorts rows in SQL?
- (a) SORT BY
 - (b) ALIGN BY
 - (c) ORDER BY

- (d) GROUP BY
- 46 The SQL keyword(s) _____ is used with wildcards.
- (a) LIKE only
 - (b) IN only
 - (c) NOT IN only
 - (d) IN and NOT IN
- 47 If a relationship has a cascade updates constraint, then if _____ in the parent table is changed, then the same change will automatically be made to any corresponding foreign key value.
- (a) the primary key
 - (b) any alternate key
 - (c) a surrogate key
 - (d) a foreign key
- 48 For every relationship, how many possible types of actions are there when enforcing minimum cardinalities?
- (a) Two
 - (b) Three
 - (c) Four
 - (d) Six
- 49 In creating a procedure, you may get a message if you have compile errors. Which of the following is true?
- (a) The line numbers reported match the line numbers you see in your text editor.
 - (b) SQL*Plus will automatically show the errors to you.
 - (c) To see the errors, enter SHOW ERRORS in SQL*Plus.
 - (d) If there are no syntax errors, you will receive the message "NO ERRORS."
- 50 Which of the following is **not** true about indexes?
- (a) Indexes are created to enforce uniqueness on columns.
 - (b) Indexes are created to enable fast retrieval by column values.
 - (c) Columns that are frequently used with equal conditions in WHERE clauses are good candidates for indexes.
 - (d) Indexes are created with the ALTER TABLE command.
- 51 In normal forms, any multivalued attributes have been removed.
- (a) First
 - (b) Second

- (c) Third
 - (d) Fourth
- 52 A (n) is an attribute in a relation that serves as a primary key of another relation in the same.
- (a) Composite key
 - (b) Foreign key
 - (c) Identifier key
 - (d) Primary key
- 53 In the process of decomposition is called as
- (a) Normalization
 - (b) Generalization
 - (c) Aggregation
 - (d) Specialization
- 54 A relation Schema R is in if it is in 3NF and satisfies an additional constant that for every FD $X \rightarrow A$, X must be a candidate key.
- (a) 1 NF
 - (b) 2 NF
 - (c) 3 NF
 - (d) BCNF
- 55 A relation between 2 set of attributes is called as
- (a) Join dependency
 - (b) Association
 - (c) Functional Dependency
 - (d) Multivalued dependency
- 56 In 1NF, the value of the attribute must be
- (a) Atomic
 - (b) Single
 - (c) Multivalued
 - (d) Null
- 57 The process of Normalization is
- (a) Iterative
 - (b) Non-reversible
 - (c) Reversible
 - (d) None

- 58 Which normal form is most desirable ?
- (a) DKNF
 - (b) 3 NF
 - (c) BCNF
 - (d) 4 NF
- 59 A functional dependency is a relationship between
- (a) Tables
 - (b) Columns
 - (c) Attributes
 - (d) Rows
- 60 Two or more attributes that can be a key are called :
- (a) determinants
 - (b) primary key
 - (c) Composite key
 - (d) foreign key
61. Cartesian product in relational algebra is
- (a) a Unary operator.
 - (b) a Binary operator.
 - (c) a Ternary operator
 - (d) not defined
62. In the relational modes, cardinality is termed as:
- (a) Number of tuples.
 - (b) Number of attributes.
 - (c) Number of tables.
 - (d) Number of constraints.
- 63 Relational calculus is a
- (a) Procedural language.
 - (b) Non- Procedural language.
 - (c) Data definition language.
 - (d) High level language
64. In a relational database a referential integrity constraint can be specified with the help of
- (a) primary key
 - (b) foreign key
 - (c) secondary key

- (d) none of the above
65. A super key is a set of one or more attributes that, taken collectively, allow us
- to identify uniquely an entity in the entity set
 - to make the key most powerful for faster retrieval
 - to increase effectiveness of database access
 - none of the above
66. 4NF is designed to cope with:
- Transitive dependency
 - Join dependency
 - Multi valued dependency
 - None of these
67. A relational database developer refers to a record as
- a criteria.
 - a relation.
 - a tuple.
 - an attribute.
68. The relational model feature is that there
- is no need for primary key data.
 - is much more data independence than some other database models.
 - are explicit relationships among records.
 - are tables with many dimensions.
69. SET concept is used in :
- Network Model
 - Hierarchical Model
 - Relational Model
 - None of these
70. Relational Algebra is
- Data Definition Language .
 - Meta Language
 - Procedural query Language
 - None of the above

Ans. (1)(c), (2)(b), (3)(c), (4)(a,b,c), (5)(a), (6)(c), (7)(a), (8)(c), (9)(c), (10)(a), (11)(a, b, c), (12)(a), (13)(b), (14)(a), (15)(b), (16)(c), (17)(d), (18)(c), (19)(d), (20)(d), (21)(a), (22)(b), (23)(d), (24)(b), (25)(d), (26)(d), (27)(c), (28)(a), (29)(a),(30)(d),(31)(c),(32)(c),(33)(b),(34)(c),(35)(d),(36)(c),(37)(d),(38)(d),(39)(b),(40)(b), (41)(b), (42)(c), (43)(b), (44)(a), (45)(c), (46)(a), (47)(a), (48)(d), (49)(c), (50)(d)

(51)(a), (52)(c), (53)(a), (54)(d), (55)(c), (56)(d), (57)(a), (58)(b), (59)(c), (60)(c), 61(b), 62(a), 63(b), 64(b), 65(a), 66(c), 67(c), 68(b), 69(a), 70(c)

II Short Answer Type Questions:

- 1 What is a functional dependency?
- 2 What are the possible sources of information that defines the functional dependencies that hold among the attributes of a relation schema?
- 3 What is meant by the closure of a set of functional dependencies? Illustrate with an example.
- 4 What is a minimal set of functional dependencies? Does every set of dependencies have a minimal equivalent set? Is it always unique?
- 5 What does the term unnormalized relation refer to?
- 6 What undesirable dependencies are avoided when a relation is in 2NF?
- 7 Define Boyce-Codd normal form. How does it differ from 3NF? Why is it considered a stronger form of 3NF?
- 8 What is meant by the attribute presentation condition on decomposition?
- 9 What is the dependency presentation property for decomposition? Why is it important?
- 10 Why is a multivalued dependency? What type of constraint does it specify? When does it arise?
- 11 Define fourth normal form. When is it violated? Why is it useful?
- 12 Define fifth normal form. Why 5NF is also called project-join normal form (PJNF).
- 13 Consider the following database relation containing the attributes:
Book-Id, Subject-Category-of-book, Name-of-author and Nationality-of-author.
What is the highest normal form satisfied by the relation.
- 14 Let $R = (ABCDEF)$ be a relation scheme with the functional dependencies $C \rightarrow F, E \rightarrow A, EC \rightarrow D, A \rightarrow B$. What is the key for R?
- 15 Consider a relation $R(A, B, C, D, E)$ with the following dependencies:
 $AB \rightarrow C, CD \rightarrow E, DE \rightarrow B$
Is AB a candidate key of this relation? If not, is ABC? Explain your answer.
- 16 Consider the following; $F = \{A \rightarrow C, AC \rightarrow D, E \rightarrow AD, E \rightarrow H\}$ and $G = \{A \rightarrow CD, E \rightarrow AH\}$. Check whether they are equivalent.
- 17 Consider the following functional dependencies in a database.
Date-of-birth \rightarrow Age
Age \rightarrow Eligibility
Name \rightarrow Roll-Number
Course-Number \rightarrow Instructor
Roll-Number \rightarrow Name
Course-Number \rightarrow Course-Name

State the highest normal form of the:
Relation (Roll-number, Name, Date-of-Birth, Age)

- 18 What is meant by the concurrent execution of database transactions in a multiuser system?
- 19 Discuss why concurrency control is needed and give examples.
- 20 Discuss the different types of failures. What is meant by catastrophic failure?
- 21 Discuss the actions taken by the read-item and write-item operations on a database.
- 22 What is the system log used for? What are transaction commit points, and why are they important?
- 23 What is a schedule? Define the concepts of recoverable, cascade less, and strict schedules, and compare them in terms of their recoverability.
- 24 Draw a state diagram, and discuss the typical states that a transactions goes through during execution.
- 25 What is the difference between conflict equivalence and view equivalence?
- 26 What is serial schedule? What is a serializable schedule?
- 27 What is the difference between the constrained write and the unconstrained write assumptions? Which is more realistic?
- 28 Define the violations caused by each of the following dirty read, nonrepeatable read and functions.
- 29 What is the two-phase locking protocol? How does it guarantee serializability?
- 30 What are some variations of the two-phase locking protocol? Why is strict or rigorous two-phase locking often preferred?
- 31 Compare binary locks to exclusive/shared locks. Why is the latter type of locks preferable?
- 32 Discuss the problems of deadlock and starvation, and the different approaches to dealing with these problems.
- 33 Describe the wait-die and would-n-wait protocols for deadlock prevention.
- 34 Describe the cautions waiting, no waiting and timeout protocols for deadlock prevention.
- 35 What is a predicate lock?
- 36 What is a phantom record?
- 37 Discuss the problem that a phantom record can cause for concurrency control.
- 38 When are batches used?
- 39 What are intention locks?
- 40 What is multiple granularity locking? Under what circumstances is it used?
- 41 What type of locks are needed for insert and delete operations.
- 42 What is a timestamp? How does the system generate timestamps?
- 43 What are UNDO-type and RE DO- type log entries?
- 44 Describe the write ahead logging protocol.
- 45 Describes the UNDO and REDO operations, and the recovery techniques that use each.
- 46 Identify three typical lists of transactions that are maintained by the recovery subsystem.
- 47 Distinguish between Functional dependency and Multivalued dependency.
- 48 What are distributed database management systems?
- 49 What benefit is provided by Strict 2PL? What disadvantages result?

- 50 Explain the purpose of the checkpoint mechanism. How often should checkpoints be performed?
- 51 When the system recovers from a crash, it constructs an undo-list and a redo-list. Explain why log records for transactions on the undo-list must be processed in reverse order while those log records for transactions on the redo-list are processed in a forward direction.
- 52 What is an embedded SQL? Explain with the help of an example.
- 53 What are the steps in query processing?
- 54 What is Authorization and Authentication in Oracle?
- 55 Define strict two phase locking protocol.
- 56 Explain atomicity of a transaction.
- 57 Discuss various types of transaction failure
- 58 What is use of system log
- 59 Describe shadow paging recovery
- 60 How can recovery handle transaction operations that do not affect database like printing?
61. Explain the unary relational operations: SELECT and PROJECT
62. Explain the CARTESIAN PRODUCT operation.
- 63 What is function operation? For what it is used?
- 64 Difference between EQUIJOIN and NATURAL JOIN operation?
- 65 Discuss tuple variable, range relation, atom, formula, and expression.

III Long Answer Type Questions:

1. Define first, second, and third normal forms when only primary keys are considered. How do the general definitions of 2NF and 3NF, which consider all keys of a relation, differ from those that consider only primary key?
2. Prove that any relation schema with two attributes is in BCNF.
3. Determine all 4NF violations for the relation schema $R(X, Y, Z, W)$ with multivalued dependencies $X \twoheadrightarrow Y$ and $X \twoheadrightarrow Z$.
4. Prove that a functional dependency satisfies the formal definition of multivalued dependency.
5. An instance of a relation schema $R(ABC)$ has distinct values for attribute A. Can you conclude that A is a candidate key for R.?
6. Explain Oracle & Architecture.
7. Explain shared Database Access Mechanism in detail in Oracle 8 Architecture.
8. Explain oracle software structure.
9. Explain database storage and database protection.
10. (a) Discuss the purpose of normalization & normalization process. What are the normal forms? Explain with suitable example.
(b) What is transaction? Explain acid properties of transaction.
11. (a) Define concurrent access of database. What are the reasons for which

- Concurrency control is required? List the rule of serializability. Write suitable example for mentioning reason of concurrency method.
- (b) What is transaction? Explain acid properties of transaction.
12. (a) What is dead lock? Explain dead lock handling techniques with appropriate examples.
- (b) How can the database be recovered through Shadow Paging Scheme.
13. Write short notes on (Any Two):
- Data Warehousing
 - Distributed Database
 - Object Oriented Database Management System
 - DBA
14. Discuss the timestamp ordering protocol for concurrency control. How does strict timestamp ordering differ from basic timestamp ordering?
15. Discuss two multi-version techniques for concurrency control.
16. What is a certify lock? What are the advantages and disadvantages of using certify locks?
17. How do optimistic concurrency control techniques differ from other concurrency control techniques?
18. Discuss the typical phases of an optimistic concurrency control method.
19. How does the granularity of data items affect the performance of concurrency control? What factors affect selection of granularity size for data items?
20. What is the use of system log ? What are the typical kinds of entries in a system log?
21. What are checkpoints, and why are they important, what are transaction commit points, and why are they important?
22. How are buffering and caching techniques used by the recovery subsystem?
23. Describe the shadow paging recovery technique. Under what circumstances does it not requires a log?
24. What is the difference between the UNDO / RE and UNDO/NO-REDO algorithms for recovery with immediate update? Develop the outline for an UNDO/NO-REDO algorithm.
25. Discuss the immediate update technique of recovery technique in both single-user and multi-user environments. What are the advantages and disadvantages of immediate update?
26. How can recovery handle transaction operations that do not affect the database, such as the printing of reports by a transaction?
27. What are the before image (BFIM) and after image (AFIM) of a data item? What is the difference between in-place updating and shadowing, with respect to their handling of BFIM and AFIM?
28. How is concurrency handled by DBMS? Explain the working of two phase locking protocol.
29. When can the deadlock happen between two running transactions?
30. Consider the following two transactions
- T1 : read (A);
read (B);

$B = A + B;$

write (B)

T2 : write (A)

read (B)

Add lock and unlock instructions so that the transaction T1 and T2 observe two-phase locking protocol. Is it deadlock free?

31. What are the problems if one were not to normalize? When do these problems surface?
32. Consider the relation
Book (accno, author, author_address, title, borrower_no, borrower_name, pubyear)
with the following functional dependencies
 - accno title
 - accnopubyear
 - author accno
 - accno author
 - author author_address
 - accnoborrower_no
 - borrower_noborrower_name
 - i. Normalize the relation. Clearly show the steps.
 - ii. For each decomposed relation identify the functional dependencies that apply and identify the candidate key.
33. Describe how a typical lock manager is implemented. Why must lock and unlock be atomic operations? What is the difference between a lock and a latch? What are convoys and how should a lock manager handle them?
34. Contrast the timestamps assigned to restarted transactions when timestamps are used for deadlock prevention versus when timestamps are used for concurrency control.
35. How does the recovery manager ensure atomicity of transactions? How does it ensure durability?
36. Discuss the various concurrency control protocols.
37. What is serializability? What are its types? What is a serializable schedule? Give examples.
38. Explain with suitable example the conversion of table from 1st I normal form to 3rd Normal form.
39. Explain how the databases can be secured.
40. Explain the difference between (i) 3rd normal form and BCNF (ii) Transitivity and functional dependency. (iii) Functional Dependency and its Closure
41. Explain the circumstances under which Normalization can be avoided.
42. Discuss various types of inner join operations. Why is theta join required.
43. How a query tree representation is different from a query graph representations of queries?
44. Discuss the transformation of the universal and existential quantifiers.
45. Discuss the correspondences between the ER model constructs and the relational model constructs.
46. Explain entity integrity constraints, referential integrity constraints, domain integrity constraints.

QUESTION BANK

EXPORTS IMPORT PROCEDURES AND DOCUMENTATION

MS 253

QUESTION BANK
EXPORTS IMPORT PROCEDURES AND DOCUMENTATION - MS 253
MBA –III

UNIT – I

I Test Your Skills:

(a) Multiple choice Questions-

1. For what duration is the EXIM policy announced?
 - (a) 1 year
 - (b) 5 years
 - (c) 10 years
 - (d) None of the above

2. Market Development Assistance is given to Exporters having annual Export turnover uptoRs._____.
 - (a) 5 Crs
 - (b) 6 Crs
 - (c) 8 Crs
 - (d) 7Crs

3. The major functions of Export Promotion Council (EPC) are to-
 - (a) Provide commercial information, Organize trade fairs, exhibitions , Promote interaction between trade and Government
 - (b) Provide commercial information , Organize trade fairs, exhibitions , Bail out exporters in case of losses
 - (c) None of the above
 - (d) Can't say

4.
 - (a) Employment Generation
 - (b) Increase trade
 - (c) None of the above
 - (d) Can't say

5. _____ refers to the policy measures adopted by a country with reference to its exports and imports.
 - (a) EXIM policy
 - (b) Economic policy
 - (c) Fiscal policy
 - (d) Monetary policy

6. What does EXIM policy controls?
- (a) Only Exports
 - (b) Only Imports
 - (c) Both
 - (d) Can't say
7. Who heads the department of import export in India?
- (a) GOI
 - (b) DGFT
 - (c) WTO
 - (d) None of the above
8. When was the 1st EXIM policy defined?
- (a) 1962
 - (b) 1991
 - (c) 1974
 - (d) Can't say
9. Fulfillment of Export obligation for licenses with duty saved of Rs.100 Corers or more is valid only if -
- (a) It is 8 times the duty saved on capital goods , It is fulfilled within 12 years for issuance of license , Initial 5% custom duty has been paid
 - (b) It is 4 times the duty saved on capital goods , It is fulfilled within 24 years for issuance of license , Initial 5% custom duty has been paid
 - (c) None of the above
 - (d) Can't say
10. Conservation of the foreign exchange resources is the main objective of
- (a) Exchange control Regulations
 - (b) EXIM policy
 - (c) Economic policy
 - (d) Fiscal Policy
11. Deemed export benefits are sanctioned by DGFT without claims.
- (a) False
 - (b) true
 - (c) Can't say
12. _____ refers to the policy measures adopted by a country with reference to its exports and imports.
- (a) EXIM policy
 - (b) Economic policy
 - (c) Fiscal policy

- (d) Monetary policy
13. Conservation of the foreign exchange resources is the main objective of
- Exchange control Regulations
 - EXIM policy
 - Economic policy
 - Fiscal Policy
14. Where the headquarters of DGFT is situated?
- Mumbai
 - Ahemadabad
 - New Delhi
 - Kanpur
15. Objective of Foreign Trade Policy is to:
- Double our Share in Global Market within next 5 years
 - Double our Share in Global Market within next 10 years
 - None of the above
 - Can't say
16. Under International Trade Agreements India is required to
- Eliminate Quantitative restrictions on imports
 - Eliminate Qualitative restrictions on imports
 - None of the above
 - Can't say
17. DGFT may issue Advanced License, where SION does not exists, based on self declaration, based on :-
- Undertaking by the applicant , Final adjustments as per adhoc SION , Adhoc norms fixed category
 - Final adjustments as per adhoc SION , Adhoc norms fixed category , Track record of exporter
 - None of the above
 - Can't say
18. Import of Capital Goods is allowed for
- Jigs , Fixtures , Dies
 - Jigs , Fixtures , Machinery
 - None of the above
 - Can't say
19. Market Access Initiatives is not available for
- conducting market studies
 - participation in international trade fairs

- (c) testing charges for engineering products
 - (d) none of the above
20. Export Promotion Capital Goods Scheme allows import of capital goods Free of import duty
- (a) With concessional duty of 5 per cent with no export obligation
 - (b) With concessional duty of 5 per cent with export obligation 8 times the duty saved
 - (c) With concessional duty of 5 per cent with export obligation 8 times the import made
21. Geographical indications specifies
- (a) Place of origin of goods
 - (b) Special characteristics of the product associated with place of origin
 - (c) Place and special characters of the product
 - (d) Place or special characters of the product
22. Import of capital goods under EPCG scheme is subject to
- (a) Terms and conditions of agreement
 - (b) Conditions of law of exporting country
 - (c) Actual user condition
 - (d) Conditions of law of importing country
23. The export proceeds shall be realized in
- (a) Any foreign currency
 - (b) Non- convertible currency
 - (c) Convertible currency
 - (d) Home currency only
24. Import of capital goods under EPCG scheme is subject to
- (a) Terms and conditions of agreement
 - (b) Conditions of law of exporting country
 - (c) Actual user condition
 - (d) Conditions of law of importing country
25. EXIM Licensing is a _____ function of Board of Trade under Foreign Trade Policy
- (a) Statutory
 - (b) Regulatory
 - (c) Redressal
 - (d) Promotional

26. An important feature of Export License under which certain goods can be imported only by designated agencies. For an example, an item like gold, in bulk, can be imported only by specified banks like SBI and some foreign banks or designated agencies.
- (a) Canalization
 - (b) Cannibalization
 - (c) Status Holders
 - (d) None of the above
27. The Director General of Foreign trade is appointed by
- (a) Central Government
 - (b) State Government
 - (c) Ministry of commerce
 - (d) Chief justice of the Supreme Court
28. To arrest and reverse the declining trend of exports and to provide additional support especially to those sectors which have been hit badly by recession in the developed world is the short objective of.
- (a) 1992- 1997 policy
 - (b) 2002-2007 policy
 - (c) 1997-2002 policy
 - (d) 2009-2014 policy
29. To double India's percentage share of global merchandise trade is the objective of.
- (a) 1992- 97 policy
 - (b) 1997-02 policy
 - (c) 2002-07 policy
 - (d) 2009-14 policy
30. The foreign Trade (Regulation) Rules was passed in the year
- (a) 1991
 - (b) 1992
 - (c) 1993
 - (d) 1994
31. Foreign Trade Policy is a set of guidelines and instructions established by the
- (a) DGFT
 - (b) MSME
 - (c) Govt. of India

32. In India importers can import capital goods according to
- (a) Terms and conditions of agreement
 - (b) Conditions of law of exporting country
 - (c) Actual user condition
 - (d) Conditions of law of importing country
33. Trade Policy is prepared and announced by the
- (a) DGFT
 - (b) MSME
 - (c) Govt. of India
 - (d) Ministry of Commerce
34. Time limit for re-import of exported gems and jewellery items in India is-
- (a) 60 days
 - (b) 70 days
 - (c) 90 days
35. Permission for duty free import of samples by exporters is-
- (a) 15
 - (b) 45
 - (c) 50
36. Conversion of Shipping Bills from one Export Promotion scheme to other scheme has been allowed within
- (a) Within 1 month
 - (b) Within 3 months
 - (c) Within 2 months
37. There are at present -----Export Promotion Councils under the administrative control of the Department of Commerce
- (a) 10
 - (b) 11
 - (c) 12
38. Commodity Boards act as an interface between international agencies like etc
- (a) ITC
 - (b) FAO
 - (c) Both
39. MPEDA refers to-
- (a) Marine Products Export Development Authority

- (b) Mining Products Export Development Authority
 - (c) Meat Products Export Development Authority
40. RCMC is a registration certificate granted by -----as prescribed by Foreign Trade Policy to an exporting unit
- (a) Export Promotion Council
 - (b) Commodity Board
 - (c) Development Authority
 - (d) All above
41. The New Foreign Trade Policy for the period 2015 to 2020 was announced by the government on the-----
- (a) 1st of April 2015
 - (b) 1st of June 2015
42. MEIS scheme actually is-
- (a) Marine Export from India scheme
 - (b) Mining products Export from India scheme
 - (c) Merchandise Exports from India Scheme
43. As per the MEIS scheme, the export promotion reward ----- shall be issued to exporters without any attached conditions on the basis of realised FOB value provided they pertain to goods notified for the scheme by the government.
- (a) scrips
 - (b) schemes
44. MEIS benefits have also been extended to all -----other than free trade warehousing units.
- (a) large industries
 - (b) SEZ units
45. As per the new trade policy, the previously existing Served From India Scheme (SFIS) has been scrapped, in its place the ----- scheme has been announced.
- (a) Services Export from India (SEIS)
 - (b) Marine Export from India
46. Eligible exporters shall be issued rewards in the form of duty credit scrips based on the net foreign exchange earned
- (a) SEIS
 - (b) MEIS

- (c) Both
47. The reward scrips themselves and any goods purchased by utilising these scrips are -----by the companies without any restrictions.
- (a) non-transferable
 - (b) freely transferable
48. Specific export requirements under the EPCG scheme have been reduced from 90% of normal amount consideration to -----of the normal amount consideration.
- (a) 95%
 - (b) 50%
 - (c) 75%
49. Premier Trading House certificate has been changed to-----
- (a) Five Star Export house
 - (b) Four Star Export house
50. EOUs have been -----facility to set up Warehouses near the port of export.
- (a) Allowed
 - (b) Disallowed
51. Current EXIM policy is for a period of 3 years
- (a) 3 years
 - (b) 5 years
 - (c) 10 years
52. FERA and FEMA are one and the same
- (a) Yes
 - (b) No
53. Both the FIEO and ITPO have almost -----objectives
- (a) common
 - (b) un-common
54. Trade promotion Organization imparts the -----information available in foreign markets.
- (a) advanced
 - (b) basic

- 55 Federation of Indian Exports organization arranges seminars & exhibitions to disseminate information.
- True
 - False
- 56 Shipping Bill/ Bill of Export is the main document required by the Customs Authority for allowing shipment.
- True
 - False
- 57 Some food and pharmaceutical product require a -----certificate for export.
- Consular
 - health or sanitary
- 58 To improve their international marketing operations ----- are assisted by the way of trade fairs, buyers -sellers' meets & market promotion programs.
- Ministers
 - Importers
 - Exporters
- 59 Department of Commerce of the Ministry of Commerce and industry is the main organization to -----and guide India's foreign trade policy.
- formulate
 - dictate
 - implement
- 60 -----examine issues relevant for promotion of India's foreign trade, and the international competitiveness of Indian goods and services.
- Boards of Trade
 - DGFT
 - Consular
61. Name the two schemes introduced under the new foreign trade policy? Merchandise Export from India Scheme & Services Export from India Scheme
- Services Export from India Scheme & Services Import from India Scheme
 - Services Import from India Scheme & Merchandise Export from India Scheme
 - Merchandise Import from India Scheme & Services Export from India Scheme
62. Consider the following statements about the Foreign Trade Policy 2015-20 unveiled on 1st Apr'15.
- This policy focuses on boosting exports and create jobs while supporting the Centre's Make In India' and Digital India' programs.

B. The new policy is to create architecture for the Indian economy so that it can gain global competitiveness and promote the diversification of Indian export.

C. The policy is to move towards paperless working in 24x7 environments.

D. The policy comes at a time when export growth contracted 15 per cent in February 2014-15, reporting a negative growth for the third consecutive month.

- (a) A & B is correct
- (b) B & C is correct
- (c) A, B & D is correct
- (d) All of the above is correct

63. The Indian Government unveiled the new Foreign Trade Policy 2015-20 on _____.

- (a) 30th Mar 2015
- (b) 31st Mar 2015
- (c) 1st April 2015
- (d) 30th April 2015

64. Which is India's first mega coastal economic zone (CEZ)?

- (a) Vizag Port
- (b) Chennai Port
- (c) Jawaharlal Nehru Port
- (d) Indira Gandhi Port

65. The Reserve Bank is expected to formulate standard operating procedure (SOP) for approval of FDI proposals by ministries following the government decision to phase out what board?

- (a) FIDB
- (b) FIDP
- (c) FIPB
- (d) FIDC

66. Which interactive service, a 24hr channel has DTH provider TATA Sky launched?

- (a) Tata Sky Cars
- (b) Tata Sky Investments
- (c) Tata Sky Beauty
- (d) Tata Sky Movies

67. The Cabinet Committee on Economic Affairs gave its approval for removing the prohibition on the export of what type of items?

- (a) Steel Ingots
- (b) Textiles
- (c) Pulses
- (d) Onions

68. What is the nicotine replacement therapy product Glenmark launched in Nov 2017?

- (a) Quitz
- (b) QuitQik
- (c) Kquitz

(d) Kwitz

69. PC shipments in India witnessed what percentage of growth in September 2017 quarter as against the year ago?

- (a) 20.5%
- (b) 19.5%
- (c) 20%
- (d) 50%

70. RBI Governor Urjit Patel was appointed to which advisory board?

- (a) Financial Stability Institute Advisory Board (FSAB)
- (b) Bank of International Settlement (BIS).
- (c) Federal Reserve (FED)
- (d) Ministry of Finance (MOF)

Ans. (1)(b), (2)(a), (3)(a), (4)(a), (5)(a), (6)(c), (7)(b), (8)(a), (9)(a), (10)(a), (11)(b), (12)(a), (13)(a), (14)(c), (15)(a), (16)(a), (17)(a), (18)(b), (19)(d), (20)(c), (21)(c), (22)(c), (23)(c), (24)(c), (25)(b), (26)(a), (27)(c), (28) (d), (29)(d), (30)(c), (31)(a), (32)(c), (33)(d), (34)(c), (35)(c), (36)(b), (37)(b), (38)(c), (39)(a), (40)(d), (41)(a), (42)(c), (43)(a), (44)(b), (45)(a), (46)(c), (47)(b), (48)(c), (49)(a), (50)(a), (51)(b), (52)(b), (53)(a), (54)(b), (55)(a), (56)(a), (47)(b), (58)(c), (59)(a), (60)(a), (61)(a), (62)(d), (63)(c), (64)(c), (65)(c), (66)(c), (67)(c), (68)(d), (69)(a), (70)(a).

II Short Answer Type Question:

- 1 Objectives of EXIM policy for 2004-09
- 2 Objectives of current Foreign trade policy
- 3 What are the different types of exports?
- 4 Explain the Standard Input Output Norms.
- 5 What is role of ITPO in the promotion of exports?
- 6 What is role of FIEO?
- 7 What is importance of commodity boards?
- 8 How do the export promotion councils aid the exporters?
- 9 Explain the Market Access Initiative (MAI) scheme of GOI.
- 10 Name the various service organizations that aid the exporters.
11. Differentiate between the pre-liberalization Era of Exports and Imports in India.
- 12 Differentiate the Export promotion councils & ECGC
- 13 What are the requisitions for registration with EPCs?
- 14 Discuss the role of ECGs.
- 15 Give the highlights of recent foreign trade policy.

- 16 Differentiate between:-
- a) Commercial invoice V/s Special consular invoice
 - b) Certificate of origin V/s GSP Certificate of origin
 - c) Shipping Bills V/s Bill of lading
 - d) Bill of Entry V/s bill of exchange
 - e) Bank Realization Certificate V/s Foreign Inward Remittance Certificate
- 17 What are the steps involved in setting up an Export Company?
- 18 How to obtain RCMC from Export Promotion Councils.
- 19 What is IIFT and what are its various activities
- 20 What are the functions of different commodity board of India
- 21 What are various export promotion activities under FIEO
- 22 Discuss various statutory regulations related to foreign trade
- 23 Discuss the functions of EPC, CB and Product development Authorities.
- 24 Discuss various incentives given to exporters in the area of Higher Support for Market and Product Diversification
- 25 Discuss various incentives given to exporters in the area of Technological Up gradation
- 26 Discuss various incentives given to exporters in the area of Simplification of Procedures
- 27 Discuss various functions of product development authorities to promote exports.
- 28 Discuss the Announcement of consolidated Merchandise Exports from India Scheme (MEIS) as per FTP-2015.
- 29 Discuss Services Exports from India Scheme (SEIS) Announced as per FTP-2015.
- 30 Highlight Utilization of Scrips as per FTP-2015.
- 31 The Export Promotion Councils perform both advisory and executive functions.
- 32 What facilities have been conferred to Status holders and Export houses as per FTP-2015?
- 33 What steps have been taken to resolve quality complaints and trade disputes between exporters and importers Status as per FTP-2015?
- 34 Export strips are freely transferable by the companies without any restrictions for the settlement of customs duty, excise duty and Service tax. Comment.
- 35 What Are the Problems or Difficulties in International Trade?
- 36 What Are the Characteristics of International Trade?
- 37 How Important Is Intuition When Trading?
- 38 What Are the Advantages of Flexible Exchange Rates?

III Long Answer Type Question:

- 1 Explain objectives of Exports & Import policy.
- 2 Compare and contrast the objectives and highlights of EXIM policies for 2004-09 & 2011-2014.
- 3 Do you think EXIM policy has changed drastically post liberalization, if so explain the new focus of government in framing the policy?
- 4 Do you think the new EXIM policy initiatives have made impact on exports?

- 5 Is it true export import policy has become integral part of Industrial policy?
- 6 Explain infrastructural support required for export Import policy.
- 7 Explain role and objectives behind various Exports Promotion councils.
- 8 What are the functions of commodity boards? How are they helpful in international Marketing?
- 9 Explain functions of various export support Institutions like ITPO, EIA and Indian Council of Arbitration.
- 10 How do you differentiate between FIEO and Exports Promotion Councils?
- 11 What do you understand about canalizing policy? Do you think it is useful for international business?
- 12 Write a detail note on the role played by EPC's in export promotion.
- 13 Discuss various promotional initiatives taken by government in current export policy.
- 14 State the functions of Trade Development Authority.
- 15 Name the important export organizations established in India and describe their main functions.
- 16 Analyze the recent trends in India's foreign trade.
- 17 "India's export markets are still largely limited to the developed countries", critically examine this statement highlighting the main factors responsible for the present state of affairs and your views about the future prospects.
- 18 List the major items of India's imports and exports. What have been the recent changes in this respect?
- 19 China has emerged as a major trading partner of India. What could be the reasons?
- 20 Explain the role played by the Trade Commissioners and the Export Promotion Councils In undertaking overseas market research.
- 21 Describe the institutions that are engaged in export promotion in India
- 22 What are the various activities undertaken by MPEDA and APEDA.
- 23 Discuss the role of public sector organizations in foreign trade promotion.
- 24 What do you mean by Canalization policy? Explain.
- 25 Explain the Pre-liberalization & post-liberalization era of exports & imports in India.
- 26 Discuss the infrastructural support established by govt. of India for development of foreign trade. What is the role of export promotion councils in this regard? Give examples.
- 27 Explain the EPCG scheme for import of capital goods. Give the procedure involved.
- 28 What is Marine Insurance? How to take insurance cover? What are the different types of Cargo Risks covered by Marine Insurance?
- 29 Write a detailed note on the Infrastructural support made available for India's foreign Trade promotion. Explain the functions performed by EPC's in India.
- 30 (a)What are the different methods of payments for exports?
(b) Explain in detail the procedure of opening L/C and types of L/C.
- 31 (a) What are the various activities of MPEDA.
(b) What are various functions of APEDA.
- 32 What are the functions of different commodity board of India.
- 33 Elaborate the roles and functions of EPC in liberalized Indian Economy.

- 34 Write short notes on various Public Sector Undertakings Under Ministry Of Commerce helping in the export efforts.
- 35 How to set up an export company? Discuss the steps involved.
- 36 Write a note on various types of commercial documents involved in Export Trade. Give a brief explanation of each.
- 37 Discuss the importance of Foreign Trade Policy 2009-2014 in the light of incentives given to exporters for Export Protection
- 38 What have been the important highlights of the latest Foreign Trade Policy? Discuss the incentives given to exporters in this policy document.
- 39 Write a detailed note on "MAKE IN INDIA" Programme.
- 40 Explain the 'Incentives for exporters' in FTP 2015-20
- 41 What have been the important highlights of the latest Foreign Trade Policy? Discuss the incentives given to exporters in this policy document.
- 42 What are the functions of APEDA (Agriculture and processed food products export development authority) and MPEDA (Marine Products Export Development Authority)?
- 43 Commodity boards are helpful in production, marketing & development of export commodities. Explain how?
- 44 What types of corrective steps have been taken under the Export Promotion Capital Goods Scheme (EPCG) in FTP 2015-20
- 45 What Are the Factors That Influence the Terms Of Trade?
- 46 Why International Trade is important for the development of a country?
- 47 What is the relation between International (export/import) and Exim finance?
- 48 Discuss the scope of Exim finance?
- 49 What are the needs of EXIM finance for exporters and importers?

UNIT - II

I Test Your Skills:

(a) Multiple choice Questions-

1. Any person applying for any License of benefit or concession under the foreign Trade Policy will be required to furnish:
 - (a) Registration cum Membership Certificate (RCMC)
 - (b) Registration cum Membership Certificate (RCMC)
 - (c) Certificate of Origin
 - (d) None of the above

2. The IEC number is issued by the
 - (a) Central Government
 - (b) State Government

- (c) Director General of Foreign trade
 - (d) Ministry of commerce
- 3 The IEC number is a number with
- (a) 7 digit
 - (b) 8 digits
 - (c) 9 digits
 - (d) 10 digits
- 4 Which system is used for classification of export item?
- (a) ITC (HS)
 - (b) ITM (LS)
 - (c) RCMC
 - (d) None of the above
- 5 What does ITC (HS) stand for?
- (a) Indian trade classifications harmonized system
 - (b) Indian Trade Clarification Harmonized system
 - (c) Indian Trade Classification Hierarchal system
 - (d) None of the above
- 6 What is a prerequisite for export and import?
- (a) IEC number
 - (b) License
 - (c) Status
 - (d) None of the above
- 7 What are the bodies exempted from having IEC number?
- (a) Status Holders
 - (b) Ministries/Departments of the Central or State Govt
 - (c) SEZ's
 - (d) None of the above
- 8 How many ways are there to get the IEC code?
- (a) Physical
 - (b) Online
 - (c) Both
 - (d) Can't Say
- 9 Which form is required to be filled for registration?
- (a) Aayat Niyaat form
 - (b) Ministries/Departments of the Central or State Govt
 - (c) SEZ's
 - (d) None of the above

- 10 Fulfillment of Export obligation for licenses with duty saved of Rs.100 Corers or more is valid only if,
- (a) It is 8 times the duty saved on capital goods , It is fulfilled within 12 years for issuance of license , Initial 5% custom duty has been paid
 - (b) It is 10 times the duty saved on capital goods , It is fulfilled within 12 years for issuance of license , Initial 5% custom duty has been paid
 - (c) It is 12 times the duty saved on capital goods , It is fulfilled within 12 years for issuance of license , Initial 5% custom duty has been paid
- 11 What is the time of payment in cash in advance?
- (a) Prior to manufacturing or shipping
 - (b) Post manufacturing or shipping
 - (c) Premium to manufacturing or shipping
- 12 What is advantage of documentary collection?
- (a) Less costly, tie up with bank not required.
 - (b) More safe as payment at the sight of goods or acceptance
 - (c) Both of above
- 13 Which document is used for documentary collection?
- (a) Bill of exchange/ draft
 - (b) Usance bill
 - (c) Bill of lading
- 14 What is the time of payment for documentary collection?
- (a) At the sight of goods or acceptance, as agreed
 - (b) At a future date
 - (c) Prior to shipping
- 15 INCO termswere given by
- (a) International Chamber of Commerce
 - (b) Director General of Foreign Trade
 - (c) Ministry of Commerce
- 16 What is the advantage of letter of credit?
- (a) Evens risk between buyer and seller
 - (b) Strengthens the role of advising and confirming bank
 - (c) Instant payment

- 17 What is revolving L/C?
- (a) The amount becomes available again without issuing another L/C and usually under the same terms and conditions
 - (b) Payment is on unconfirmed irrevocable basis
 - (c) Payment is on a future date
- 18 1st incoterms were published in:
- (a) 1936
 - (b) 1954
 - (c) 2000
 - (d) 2012
- 19 Incoterms stands for:
- (a) International currency terms
 - (b) International commercial terms
 - (c) International cooperation terms
- 20 Incoterms define ____ of buyers and sellers in international trade
- (a) Obligation
 - (b) Profitability
 - (c) Currency convertibility
- 21 Total incoterms as per 2000?
- (a) 13
 - (b) 9
 - (c) 10
 - (d) 20
- 22 What does FAS mean?
- (a) free alongside ship: at quay area
 - (b) frontier around the ship
 - (c) fees and shipping
- 23 The customs duty paid for the import of capital goods as per 2009-2014 policy is
- (a) 2 per cent
 - (b) 3 per cent
 - (c) 5 per cent
 - (d) 8 per cent

- 24 The apex body of the Foreign Trade is
- (a) The Central Government
 - (b) The State Government
 - (c) The Ministry of Commerce
 - (d) All the above
- 25 Bill of Lading is issued by the
- (a) captain of the vessel
 - (b) shipping company
 - (c) customs authorities
 - (d) consignor
- 26 What does CCIE stand for?.
- (a) Chief Controller of Imports and Exports
 - (b) Central Cottage Industries Exports
 - (c) Control on Cotton Imports and Exports
 - (d) Commissioner of Central Imports and Exports
- 27 Foreign Exchange Regulation Act was replaced with The Foreign Exchange Management Act in the Year
- (a) 1973
 - (b) 1991
 - (c) 1995
 - (d) 1999
- 28 The objectives of import duty is/are
- (a) to raise income for the government
 - (b) to restrict imports
 - (c) to encourage exports
 - (d) to raise income and restrict imports
- 29 If a country is having more exports than imports in value terms, it can be said that the country is having
- (a) Deficit under BOP
 - (b) . Deficit under BOT
 - (c) Surplus under BOT
 - (d) Surplus under BOP
- 30 What does DDP signify in incoterms?
- (a) Duty drawback payment
 - (b) Delivery duty paid, all obligations are with seller.
 - (c) Duty drawback passbook

- 31 To accelerate exports and encourage technological up gradation, additional Duty Credit Scripts are being given to Status Holders @ -----of the FOB value of past exports.
- (a) 3%
 - (b) 2%
 - (c) 1%
- 32 To facilitate duty free import of samples by exporters, number of samples/pieces has been increased from the existing 15 to-----.
- (a) 25
 - (b) 50
 - (c) 100
- 33 Conversion of Shipping Bills from one Export Promotion scheme to other scheme can be made within -----
- (a) three months
 - (b) two months
 - (c) four months
- 34 Disposal of manufacturing wastes / scrap is allowed-----, even before fulfillment of export obligation under Advance Authorization and EPCG Scheme
- (a) without fees
 - (b) after payment of applicable excise duty
- 35 -----have now been authorized to issue licences for import of sports weapons by ‘renowned shooters’, on the basis of NOC from the Ministry of Sports & Youth Affairs
- (a) Regional Authorities
 - (b) DGFT
- 36 Automobile industry, having their own R&D establishment, is allowed free import of reference fuels (petrol and diesel), upto a maximum of -----per annum, which are not manufactured in India.
- (a) 5 KL
 - (b) 15 KL
 - (c) 25 KL
- 37 -----are also the registering authorities under the Export Import Policy
- (a) Export Promotion Councils
 - (b) Commodity Boards

- 38 -----organize participation in trade fairs, exhibitions and buyer-seller meets in India and abroad
- (a) Product development Authorities
 - (b) Commodity Boards
 - (c) Export Promotion Councils
- 39 There are -----statutory Commodity Boards under the Department of Commerce
- (a) 7
 - (b) 15
 - (c) 10
- 40 The Indian Council of Arbitration promotes and administer -----for dispute resolution and encouraging greater domestic and international commerce
- (a) Alternative Dispute Resolution mechanisms
 - (b) Law and order
- 41 The export promotion scheme that enables the post export replenishment of duty on inputs used in the export product is.
- (a) Replenishment licence.
 - (b) Duty remission scheme
 - (c) Duty exemption scheme
 - (d) Duty free replenishment certificate
- 42 The export promotion scheme with the objective to neutralize the incidence of Customs duty on the import content of the export product is.
- (a) Export Promotion Capital Goods
 - (b) Export Credit Guarantee
 - (c) Duty Free Replenishment
 - (d) Duty Entitlement Passbook
43. The license that is transferable is
- (a) Export license
 - (b) Advance license
 - (c) DEPB license
 - (d) REP license
44. An airway bill is prepared in
- (a) two copies
 - (b) three copies
 - (c) four copies
 - (d) five copies

- 45 An application for customs clearance of import cargo is
- (a) Bill of lading
 - (b) Bill of exchange
 - (c) Shipping bill
 - (d) Bill of Entry
- 46 All of the following are fundamental factors used by the countries to determine the customs duties to be paid for importing goods except
- (a) Country of origin
 - (b) Classification
 - (c) Valuation
 - (d) Markings
- 47 The General Agreement on Tariff and Trade was replaced by
- (a) Cross Border Trade Group
 - (b) North American Free Trade Agreement
 - (c) Multilateral Agreement
 - (d) World Trade Organization
- 48 India's share in global merchandise exports in 2008 was
- (a) 1.25%
 - (b) 1.35%
 - (c) 1.45%
 - (d) 1.55%
- 49 Expand FMS
- (a) First Market Scheme
 - (b) Focus Market Scheme
 - (c) Focus Marine Scheme
 - (d) FullMarket Scheme
- 50 Under 2009-14 FTP how many new markets have been added under FMS?
- (a) 23
 - (b) 24
 - (c) 25
 - (d) 26
- 51 Commercial Invoice and Proforma Invoice is same.
- (a) True
 - (b) False

- 52 There is no difference between Bill of lading and mate receipt.
 (a) True
 (b) False
- 53 There exists no difference between Bill of lading and shipping bill.
 (a) True
 (b) False
- 54 GSP and certificate of origin are one and the same.
 (a) True
 (b) False
- 55 -----Shipping Bill in triplicate is required for the export of dutiable goods.
 (a) Yellow
 (b) Red
 (c) Green
- 56 -----Shipping Bill in 7 copies is required for exports under the DEPB scheme.
 (a) Yellow
 (b) Red
 (c) Blue
- 57 Reserve Bank of India administers -----through commercial banks licensed by it as 6 authorized dealers in foreign exchange
 (a) GST
 (b) FEMA
 (c) FERA
- 58 Goods going out of the country on export or entering the county on import should get customs clearance by complying with the procedures prescribed under the-----
 (a) GST
 (b) FEMA
 (c) Custom Act
- 59 ICA helps in arranging -----of disputes in international trade through its constituent members.
 (a) settlement
 (b) glorification
 (c) arbitration
- 60 Mate's receipts is a receipt issued by the -----of the ship when the cargo is loaded on the ship.
 (a) Commanding Officer

(b) clerk

61. Under what mission has the Ministry of Railways advanced target for 100% completion of installing human waste discharge free Bio-toilets in coaches to December 2018?
- (a) Swachh India
 - (b) Swachh Aadhar
 - (c) Swachh Bharat
 - (d) Swachh Nirman
62. China launched world's first fully electric cargo ship in Guangzhou. What type of battery does it use?
- (a) Lead acid
 - (b) Manganese
 - (c) Lithium ion
 - (d) Nickel metal hydride
63. US Federal Communications Commission has voted _____ net neutrality.
- (a) For
 - (b) Against
 - (c) Neither for nor against
 - (d) 50-50 For and Against
64. Which trade theory holds that nations can increase their economic well-being by specializing in the production of goods they produce more efficiently than anyone else
- (a) The factor endowment theory.
 - (b) The theory of absolute advantage.
 - (c) The international product life cycle theory.
 - (d) The theory of comparative advantage.
65. Which theory holds that nations should produce those goods for which it has the greatest relative advantage?
- (a) The theory of relative advantage.
 - (b) The theory of absolute advantage.
 - (c) The factor endowment theory.
 - (d) None of the above.
66. Which of the following holds that a government can improve the economic well-being of a country by encouraging exports and discouraging imports without a reliance on previous metals?
- (a) Neo-mercantilism.
 - (b) The Leontief paradox.
 - (c) Quotas.
 - (d) Mercantilism.

67. In country A, it takes 10 labor hours to produce cloth and 20 labor hours to produce grain. In country B, it takes 20 labor hours to produce cloth and 10 labor hours to produce grain. Which country should produce grain?
- Both A and B should produce grain.
 - No country should produce grain.
68. In North, it takes 50 labor hours to produce cloth and 100 hours to produce grain. In South, it takes 200 labor hours to produce cloth and 200 hours to produce grain. Which of the following statements is true?
- South has an absolute advantage in the production of grain.
 - North has a comparative advantage in the production of cloth.
 - South has an absolute advantage in the production of both cloth and grain.
 - North should produce grain.
69. In country X, it takes 50 labor hours to produce cloth and 100 hours to produce grain. In country Y, it takes 200 labor hours to produce cloth and 200 hours to produce grain. At what price would X start to be willing to trade with Y?
- More than a quarter unit of cloth per unit of grain.
 - More than half a unit of cloth per unit of grain.
 - More than half a unit of grain per unit of cloth.
 - More than a quarter unit of grain per unit of cloth.
70. Which of the following theories holds that countries will produce and export products that use large amounts of production factors that they have in abundance?
- The factor endowment theory.
 - Mercantilism.
 - The theory of absolute advantage.
 - None of the above.

Ans. (1)(a), (2)(c), (3)(d), (4)(a), (5)(a), (6)(a), (7)(b), (8)(c), (9)(a), (10)(a), (11)(a), (12)(c), (13)(a), (14)(a), (15)(a), (16)(a), (17)(a), (18)(a), (19)(b), (20)(a), (21)(a), (22)(a), (23)(c), (24)(c), (25)(b), (26)(a), (27)(d), (28)(d), (29)(d), (30)(b), (31)(c), (32)(b), (33)(a), (34)(b), (35)(a), (36)(a), (37)(a), (38)(c), (39)(a), (40)(a), (41)(a), (42)(c), (43)(a), (44)(b), (45)(a), (46)(c), (47)(b), (48)(c), (49)(a), (50)(a), (51)(b), (52)(b), (53)(b), (54)(b), (55)(a), (56)(c), (57)(b), (58)(c), (59)(c), (60)(a), (61)(c), (62)(c), (63)(a), (64)(b), (65)(d), (66)(a), (67)(b), (68)(b), (69)(c), (70)(b).

II Short Answer Type Question:

- State the significance for Exports Documents.
- Elucidate the types of Bill of Lading.

- 3 What are the types of Shipping Bill?
- 4 Explain the nature of Regulatory Documents.
- 5 Enumerate the purpose of Bill of Lading.
- 6 State the significance of IEC Number for exports.
- 7 What do you understand by RCMC?
- 8 What are the documents required for obtaining IEC number?
- 9 Explain the significance of an export contract?
- 10 Explain the Force Majeure clause.
- 11 Explain the role of Arbitration in exports.
- 12 What do you understand by a Carting Order?
- 13 State the difference between Let export order and Let Ship order.
- 14 Elucidate the role of C&F agent in exports.
- 15 Differentiate between commercial and consular invoices.
- 16 Differentiate between the following:
 - (a) Export Promotion Councils Vs. ECGC
 - (b) Certificate of origin Vs. GSPOOO
 - (c) Bill of exchange Vs. Bill of Lading
 - (d) FOB contract Vs. CIF contract
- 17 Explain briefly various steps involved in setting up an export company.
- 18 Discuss various channels of distribution utilized by exporters in overseas markets.
- 19 Write a note on terms of shipment.
- 20 How does an exporter obtain IEC number & RCMC from export promotion council?
- 21 What are duty exemption schemes? How to avail these schemes?
- 22 Discuss the procedure and documentation involved in duty exemption schemes?
- 23 Discuss four types of Shipping Bill and the major distinction that lie with regard to the goods being subject to certain conditions in exports.
- 24 Explain various documents required for the processing of the Shipping Bill.
- 25 List the documents required for getting EPCG license
- 26 Write short note on technological up gradation of existing EPCG machinery?
- 27 Describe the fiscal incentives under duty exemption scheme?
- 28 What is export obligation? How can an exporter fulfill export obligation?
- 29 Explain the procedure for claiming export incentives?
- 30 What are the various types of duty exemptions available to Indian exporters?
- 31 Discuss the role of Indian Council of Arbitration.
- 32 Differentiate Bills based on duration – sight bills and usance bills
- 33 Differentiate Bills based on time of delivery of documents accompanying them – documents against payment and documents against acceptance bill.
- 34 Differentiate Bills based on their domicile – domestic bills and foreign bills
- 35 What do you understand by Certificate of Inspection
- 36 Discuss the role of three parties involved in a bill of exchange
- 37 Differentiate Bill of Entry and Bill of Exchange
- 38 Discuss Shipping Bills V/s Bill of lading
- 39 Differentiate Certificate of origin V/s GSP Certificate of origin

- 40 Elucidate Commercial invoice V/s Special consular invoice
- 41 What are the functions of exim finance?
- 42 What are the emerging challenges for the global financial managers?
- 43 Globalisation is the only way to survive in the modern market, discuss.
- 44 Distinguish the Control function of finance
- 45 Define Treasury management function of finance

III Long Answer Type Question:

- 1 Explain the various stages involved in the processing of an export order.
- 2 Describe Aligned documentation system (ADS). What are the advantages of ADS in context of International trade?
- 3 State the particulars and explain the significance of any five documents used in export trade.
- 4 What documents must accompany an export shipment? Describe them briefly.
- 5 What are main commercial and regulatory documents for export by sea?
- 6 What purpose does a bill of lading serve? Is it a negotiable instrument? How is it different from a charter party?
- 7 Explain the various types of Bank Guarantees in Export Contract?
- 8 Explain the steps for setting a new export unit. Support your answer by taking a suitable example of a fictitious company.
- 9 Explain significance for commercial invoice in exports.
- 10 Explain about following documents:
 - (a) Diff between Commercial Invoice and Proforma Invoice
 - (b) Certificate of origin
 - (c) Shipping bill
 - (d) Mate receipt
 - (e) Bill of exchange
 - (f) Bill of lading
 - (g) GSP certificate
 - (h) GR form and its purpose
- 11 Do you think IEC number is essential, explain procedures for obtaining IEC number? What would happen if you have lost IEC number?
- 12 Are you familiar with RCMC? Is it essential to obtain RCMC, if so explain procedure to obtain same?
- 13 What are the various organizations from which the exporter is required to obtain registration?
- 14 Highlight importance of IEC number for exports and imports.
- 15 How is exports contract different than domestic contract?
- 16 What are standard clauses in exports contract?
- 17 What are the important elements exporters should consider before finalizing export contract?
- 18 Explain about following.

- (a) Purpose of Force Majeure clause from sellers point of view
 - (b) Arbitration is best way of handling disputes
 - (c) International council of Arbitration
 - (d) Applicable law of country
- 19 Explain with help of flow process chart complete process of exports execution from stage of manufacturing till shipment.
 - 20 What are different stages of export execution?
 - 21 Explain various documents required for different stages of shipment like excise clearance, custom clearance, negotiation with bank, shipment etc
 - 22 List the document required separately for RBI, Port authorities, central excise
 - 23 List the regulatory document for exports
 - 24 Explain role of services provided by clearing and forwarding agents.
 - 25 What are INCO terms? How do they help international buyers and sellers?
 - 26 Discuss any five of the ICC INCOTERMS 2000 in detail.
 - 27 Write a detailed note on procedure for setting up Export Company. What are the various steps involved in it?
 - 28 What are INCO terms? What is their relevance? Who design those terms? How are they relevant in export sales contract?
 - 29 What are duty exemption schemes on the part of foreign trade policy 2009-14? How are EPCG scheme different from Duty Exemption schemes? Explain the procedure of availing these incentives by exporters.
 - 30 Write a note on commercial documents involved in exports. Give a brief explanation of each document involved in commercial documentation.
 - 31 What is the procedure involved in Custom Clearance of Export Shipment from Delhi Customs? What documentation is involved?
 - 32 What are INCO terms? Who have made them? Explain FOB, CFR, CIF, CIP DDP using cost sheet.
 - 33 (a) What steps are involved in processing of an Export Order?
(b) Briefly explain various commercial documents involved in Exports.
 - 34 Explain in detail the entire process of pre shipment inspection?
 - 35 Explain the various types of bank guarantees in export contract?
 - 36 How is Mate's receipt different from Bill of Lading? What is their significance in export transactions?
 - 37 Write a note on various types of commercial documents involved in Export Trade. Give a brief explanation of each.
 - 38 How does excise and custom clearance of export consignment take place in case of RMG (ready made garments) from Delhi custom house. Discuss the procedure and documents involved?
 - 39 Discuss in detail the provisions of EXIM Policy relating to services exports in India.
 - 40 What are the different steps involved in setting up an export company. Make a flow chart showing the steps and documentation required at each step.
 - 41 What are the main commercial documents involved in Export Trade. Give a brief explanation of each.

- 42 What is the importance of Letter of Credit? What is the procedure for opening of Letter of Credit?
- 43 What are the procedure to be followed to obtain Buyer-wise Policies - Short Term (BP-ST) under Export Credit Guarantee Corporation of India?
- 44 Discuss various types of risks covered and products offered under Export Credit Guarantee Corporation of India
- 45 Could you put forth your agreements for the need of any three principal documents
- 46 Proper documents are essential to minimize dispute in foreign trade. Discuss the validity of the agreement
- 47 What do you mean by principal document explain any 3 of them 4. Why auxiliary documents are required explain with two examples
- 48 Narrate the Procedure to claim duty drawback 6. What are the documents which must accompany an export shipment? Describe them briefly
- 49 Write short notes on
 (a) Certificate of origin(DOUBT) (b) Inspection certificate (c) Packing List (d) Shipping Bill (e) Mater 's Receipt

UNIT III

I Test Your Skills:

(A) Multiple choice Questions

- 1 Duty Drawback is available for
 (a) Import duty on imported components
 (b) Central excise on indigenous components
 (c) Import duty and central excise on indigenous components
 (d) Import duty, central excise and VAT
- 2 Excise duty exemption on exports is available for duty paid on
 (a) finished products only
 (b) components only
 (c) finished products and components
 (d) imported items
- 3 All imported goods shall be subject to domestic laws, rules, orders, regulations.
 (a) True
 (b) False
 (c) Can't say
- 4 An EPCG License holder may source capital goods from domestic leasing company.
 (a) True
 (b) False
 (c) Can't say

- 5 Deemed exports is beneficial to Indian buyers because :-
- It reduces costs in supply chain management , Saves foreign exchange
 - It reduces costs in supply chain management , After sales service is easier, Saves foreign exchange
 - None of the above
 - Can't say
- 6 In case of Free of cost imported raw material, value addition would be computed by adding Notional Value of free of cost material to both CIF value of imports and FOB value of exports.
- True
 - False
 - Can't say
- 7 Export Promotion Capital Goods Scheme allows import of capital goods
- Free of import duty
 - With concessional duty of 5 per cent with no export obligation
 - With concessional duty of 5 per cent with export obligation 8 times the duty saved
 - With concessional duty of 5 per cent with export obligation 8 times the import made
- 8 In India, the patent available for pharmaceuticals is
- for product only
 - for process only
 - both for product and process
 - neither product nor process
- 9 Import of capital goods under EPCG scheme is subject to
- Terms and conditions of agreement
 - Conditions of law of exporting country
 - Actual user condition
 - Conditions of law of importing country
- 10 The export proceeds shall be realized in
- Any foreign currency
 - Non- convertible currency
 - Convertible currency
 - Home currency only

- 11 The export promotion scheme that enables the post export replenishment of duty on inputs used in the export product is.
- (a) Replenishment licence.
 - (b) Duty remission scheme
 - (c) Duty exemption scheme
 - (d) . Duty free replenishment certificate
- 12 The export promotion scheme with the objective to neutralize the incidence of Customs duty on the import content of the export product is.
- (a) Export Promotion Capital Goods
 - (b) Export Credit Guarantee
 - (c) Duty Free Replenishment
 - (d) Duty Entitlement Passbook
13. The license that is transferable is
- (a) Export license
 - (b) Advance license
 - (c) DEPB license
 - (d) REP license
14. An airway bill is prepared in
- (a) two copies
 - (b) three copies
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- 15 An application for customs clearance of import cargo is
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 - (c) Shipping bill
 - (d) Bill of Entry
- 16 All of the following are fundamental factors used by the countries to determine the customs duties to be paid for importing goods except
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 - (b) Classification
 - (c) Valuation
 - (d) Markings
- 17 The General Agreement on Tariff and Trade was replaced by
- (a) Cross Border Trade Group
 - (b) North American Free Trade Agreement
 - (c) Mutlilateral Agreement
 - (d) World Trade Organisation

- 18 India's share in global merchandise exports in 2008 was
- (a) 1.25%
 - (b) 1.35%
 - (c) 1.45%
 - (d) 1.55%
- 19 Expand FMS
- (a) First Market Scheme
 - (b) Focus Market Scheme
 - (c) Focus Marine Scheme
 - (d) FullMarket Scheme
- 20 Under 2009-14 FTP how many new markets have been added under FMS?
- (a) 23
 - (b) 24
 - (c) 25
 - (d) 26
- 21 Expand DFCE
- (a) Duty Free Certificate of Entitlement
 - (b) Duty Focus Certificate of Entitlement
 - (c) Duty Free Certificate of Export
 - (d) Duty Free Condition of Entitlement
- 22 Goods/ services do not leave the country and the payments are received either in foreign or Indian currency is known as
- (a) Export
 - (b) Import
 - (c) Reexport
 - (d) Deemed Export
- 23 Which of the following enables an exporter to import inputs without paying import duties?
- (a) Advance license
 - (b) Advance money
 - (c) DEPB
 - (d) DGFT
- 24 Which enables an exporter to import capital goods, like plant and machinery at concessional import duty?
- (a) Advance license
 - (b) EPCG license
 - (c) IEC license
 - (d) FPS license

- 25 Earlier Advance Authorization Scheme used to be called as
- (a) Advance scheme
 - (b) Advance License Scheme
 - (c) Advance License System
 - (d) Advance Authority Scheme
26. The EXIM policy is updated every year on
- (a) 31st December
 - (b) 31st March
 - (c) 30th September
 - (d) 1st April
- 27 The EXIM policy is updated every year on
- (a) 31st December
 - (b) 31st March
 - (c) 30th September
 - (d) 1st April
28. When SEZ Act was passed?
- (a) 2002
 - (b) 2003
 - (c) 2004
 - (d) 2005
29. FDI limit in SEZs is
- (a) 24%
 - (b) 51%
 - (c) 74%
 - (d) 100%
- 30 The objective of _____ is to neutralize the incidence of basic customs duty on the import content of the export product.
- (a) Duty Drawback Scheme
 - (b) Focus Product Scheme
 - (c) Duty Entitlement Passbook Scheme
 - (d) Focus Market Scheme
- 31 The -----is the premier organization in the country, which offers credit risk insurance cover to exporters, banks, etc.
- (a) Duty Drawback Scheme
 - (b) Focus Product Scheme
 - (c) ECGC

- 32 Agriculture and processed food products export development authority helps
- (a) To develop database on products, markets and services.
 - (b) To develop and implement various publicity exercises
 - (c) To invite officials and business delegations from abroad
 - (d) All above
- 33 Marine Products Export Development Authority helps
- (a) To provide timely and efficient services to overseas buyers.
 - (b) To establish trade links between Indian suppliers and overseas buyers.
 - (c) To facilitate participation in overseas trade fairs and exhibitions and organize trade fairs in India
 - (d) All above
- 34 Import Export code (IEC) number is issued by -----Regional licensing authority of DGFT
- (a) Ministry of Commerce
 - (b) Commodity Boards
- 35 While submitting an application form for **IEC number**, an applicant is required to submit his
- (a) Current Bank Account number.
 - (b) and Bankers Certificate
 - (c) PAN account number
 - (d) All above
- 36 IEC Fee Requirement is Rs.
- (a) 250/
 - (b) 300/
 - (c) 500/
- 37 The Negotiable Instruments Act defines a -----as “an instrument in writing containing an unconditional order, signed by the maker directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of instrument.”
- (a) Performa invoice
 - (b) bill of exchange

- 38 A -----contains the details of the goods shipped and is sworn as being correct in all respects by the exporter before the Consul of the importing country stationed in the exporting country.
- (a) Performa invoice
 - (b) Consular invoice
 - (c) Commercial Invoice
- 39 A proforma invoice contains all the particulars as a commercial invoice, but it is distinguished from the latter as it is not---
- (a) Valid
 - (b) Evidence of sale
 - (c) tender for sale contract
- 40 A shipping bill is the application from the exporter to permit export & customs convey the permission by endorsement on it. It may be –
- (a) Green- where drawback is claimed;
 - (b) White- on duty free goods exported;
 - (c) Yellow on dutiable goods transhipped;
 - (d) Pink on re-exported from a bonded warehouse
 - (e) Blue for export under DEPB scheme
 - (f) All above
- 41 India's New Foreign Trade Policy under NDA Govt. for the period 2015 to 2020 was announced by the government on the-----
- (a) 1st of April 2015
 - (b) 1st of June 2015
42. MEIS scheme actually is-
- (a) Marine Export from India scheme
 - (b) Mining products Export from India scheme
 - (c) Merchandise Exports from India Scheme
43. As per the MEIS scheme, the export promotion reward ----- shall be issued to exporters without any attached conditions on the basis of realized FOB value provided they pertain to goods notified for the scheme by the government.
- (a) scrips
 - (b) schemes
44. MEIS benefits have also been extended to all -----other than free trade warehousing units.
- (a) large industries
 - (b) SEZ units

45. As per the new trade policy, the previously existing Served From India Scheme (SFIS) has been scrapped, in its place the ----- scheme has been announced.
- (a) Services Export from India (SEIS)
 - (b) Marine Export from India
46. Eligible exporters shall be issued rewards in the form of duty credit scrips based on the net foreign exchange earned
- (a) SEIS
 - (b) MEIS
 - (c) Both
47. The reward scrips themselves and any goods purchased by utilising these scrips are -----by the companies without any restrictions.
- (a) non-transferable
 - (b) freely transferable
48. Specific export requirements under the EPCG scheme have been reduced from 90% of normal amount consideration to -----of the normal amount consideration.
- (a) 95%
 - (b) 50%
 - (c) 75%
49. Premier Trading House certificate has been changed to-----
- (a) Five Star Export house
 - (b) Four Star Export house
50. EOUs have been -----facility to set up Warehouses near the port of export.
- (a) Allowed
 - (b) Disallowed
51. The Commanding Officer of the ship issues a clean mate's receipt; if he is ----- that the goods are packed properly
- (a) satisfied
 - (b) not satisfied
52. Bill of lading is a document supplied to the -----by the shipping company that is transporting the goods to their foreign destination, listing them item by item
- (a) importer
 - (b) exporter

- 53 Bill of entry is a declaration filed by importer giving details of importer and goods.
- (a) importer
 - (b) exporter
- 54 Bill of entry can be filed -----in advance of expected arrival of goods.
- (a) 60 days
 - (b) 30 days
- 55 Advance license facility enables ----- to import inputs without payment of custom duty.
- (a) importer
 - (b) exporter
- 56 The -----is a complete, list of all items the conveyance carries on board to be transshipped and those to be carried to the subsequent ports of call.
- (a) SEIS
 - (b) MEIS
 - (c) import manifest
- 57 For clearance of goods from the warehouse the importer is required to present what is known as -----of entry.
- (a) import manifest
 - (b) 'Ex-bond Bill
- 58 Form GP1 is issued for the removal of excisable goods on payment of duty.
- (a) True
 - (b) False
 - (c) Can't say
- 59 Form GP2 is issued for the removal of excisable goods without payment of duty.
- (a) True
 - (b) False
 - (c) Can't say
- 60 Form **ARE-1** is central excise form.
- (a) True
 - (b) False
 - (c) Can't say
61. Vernon's international product life cycle theory:
- (a) helps explain the movement from absolute advantage to comparative advantage.

- (b) helps explain why a product that begins as a nation export often ends up becoming an import.
 - (c) shows why the United States, surprisingly, exports relatively more labor-intensive goods and imports capital-intensive goods.
 - (d) extends the concept of comparative advantage by bringing into consideration the endowment and cost of factors of production.
62. Which of the following products have moved through the IPLC and are now in the standardized product stage?
- (a) DVD players.
 - (b) Televisions.
 - (c) Computer memory cards.
 - (d) All of the above.
63. Which of the following factors influence trade?
- (a) The relative price of factors of productions.
 - (b) Government.
 - (c) The stage of development of a product.
 - (d) All of the above.
64. If the price of the Japanese Yen declines considerably against the British Pound:
- (a) it is always because of British government interference.
 - (b) it is always because of Japanese government interference.
 - (c) British goods are relatively cheaper for Japanese consumers.
 - (d) Japanese goods are relatively cheaper for British consumers.
65. If a Japanese firm sold \$10 billion of machinery in US and the US dollar declined against the Japanese currency:
- (a) the Japanese firm will report more revenue (in terms of Yen) than if the US dollar had remained stable.
 - (b) the Japanese firm will report less revenue (in terms of Yen) than if the US dollar had remained stable.
 - (c) the Japanese company will make sure that the difference is paid back to its affiliate.
 - (d) the Japanese company will move funds to the home country.
66. Which of the following is not a reason to erect trade barriers?
- (a) Promote import activity.
 - (b) Reduce reliance on foreign suppliers.
 - (c) Protect local jobs.
 - (d) Encourage local production.
67. Which of the following countries is not a member of OPEC?
- (a) Iran.
 - (b) Iraq.
 - (c) Venezuela.
 - (d) Afghanistan.

68. A company of the US has excess products that it does not want to sell into the US market because it will bring down the domestic price and instead sells it at another country at below the cost of production. What is this called?
- Countervailing.
 - International trade
 - Dumping.
69. Agreement on Textile and clothing was set out as a transitional process on 01 Jan 1995 for the ultimate removal of quotas by WTO by 01 Jan 2007.
- True
 - False
70. The first ever set of multilaterals, legally enforceable rules covering international trade in services is the General Agreement on Trade in services (GATS).
- True
 - False

Ans. (1)(c), (2)(c), (3)(a), (4)(a), (5)(a), (6)(a), (7)(c), (8)(c), (9)(c), (10)(c), (11)(b), (12)(d), (13)(c), (14)(b), (15)(d), (16)(d), (17)(d), (18)(c), (19)(b), (20)(d), (21)(a), (22)(d), (23)(a), (24)(b), (25)(b), (26)(b), (27)(b), (28)(d), (29)(d), (30)(c), (31)(c), (32)(d), (33)(d), (34)(a), (35)(d), (36)(a), (37)(b), (38)(b), (39)(b), (40)(f), (41)(a), (42)(c), (43)(a), (44)(b), (45)(a), (46)(c), (47)(b), (48)(c), (49)(a), (50)(a) (51)(a), (52)(b), (53)(a), (54)(b), (55)(b), (56)(c), (57)(b), (58)(a), (59)(a), (60)(a), (61)(b), (62)(d), (63)(d), (64)(d), (65)(b), (66)(a), (67)(d), (68)(c), (69)(b), (70)(a).

II Short Answer Type Question:

- What are Incoterms?
- Enumerate the types of Letter of credit.
- What is a Red letter clause L/C?
- Explain the Green clause letter of credit.
- State the difference between DA and DP payment.
- What is the difference between a Confirmed and unconfirmed L/C?
- What is the role of the parties involved in the opening of a L/C?
- Explain Duty draw back rate.
- Explain Duty entitlement pass book scheme.
- What is an EIA?
- What do you understand by self certification?
- Define objectives of EPCG scheme.
- Explain significance of export procurement.
- State the objectives of custom clearance.

- 15 Explain the term Let export order and Let ship order.
- 16 What is the role of custom appraiser and dock appraiser?
- 17 Describe the objectives of custom clearance.
- 18 Elucidate the Import General Manifest.
- 19 When is the term Retirement of documents used?
- 20 What are the Second and first check procedures?
- 21 Explain the Bill of entry.
- 22 Describe the objectives of custom clearance.
- 23 What do you understand by export obligation?
- 24 List the documents required for availing EPCG.
- 25 Write short note on technology up gradation of machinery under EPCG scheme.
- 26 What is the role & function of ECGC in providing risk coverage & financial guarantees?
- 27 Discuss various export incentives given by the govt. of India.
- 28 What are the role and functions of EXIM Bank in Foreign Trade Financing?
- 29 What are the other helps one can get from EXIM Bank?
- 30 What documents along with Bill of Entry should be presented to the Appraising Counters for imports clearance.
- 31 What do you understand by import manifest?
- 32 Zero duty EPCG Scheme and 3% duty EPCG Scheme
- 33 Write notes on
- (a) Deemed Exports
 - (b) Duty Remission Schemes
 - (c) Duty Exemption Schemes
- 34 Write short notes on following types of Post Shipment Finance-
- (a) Export Bills purchased/discounted.
 - (b) Export Bills negotiated
 - (c) Advance against export bills sent on collection basis.
 - (d) Advance against export on consignment basis
 - (e) Advance against undrawn balance on exports
 - (f) Advance against claims of Duty Drawback.
- 35 Make a list of Documentary Requirements for custom clearance
- 36 Discuss the procedure of clearance of full container load (fcl) cargo
- 37 Discuss the procedure of clearance of less than container load cargo (lcl) cargo
- 38 Role of CHA in Custom Clearance
- 39 Discuss different categories of risk covered by Marine Insurance.
- 40 What is Foreign Inward Remittance Certificate meant for?
- 41 How is Bank Realization Certificate different from Foreign Inward Remittance Certificate
- 42 What is the need for controlling foreign exchange
- 43 How forex regulations have been evolved
- 44 comment an few sections of FERA 1973 as amended in 1993
- 45 consolidate the powers of Govt. of India Under FERA 1973 (as amended in 1993)
- 46 What are the advantages of modified LERMS

III Long Answer Type Question:

- 1 What are different methods of payment used in International business?
- 2 What do you understand by Letter of credit? Explain working of L/C by flow process diagram.
- 3 Explain about the different types of Letter of credit. Also suggest the most commonly used L/C and why?
- 4 Explain responsibilities of Buyer / Seller, risk and about title of goods for FOB, C&F and CIF terms of payment.
- 5 How is export pricing different from domestic pricing? What special points should an exporter keep in mind while finalizing export prices?
- 6 Critically examine the various factors affecting export pricing decisions.
- 7 Explain about the stages in the Pre- shipment Inspection.
- 8 Explain reasons behind government policy for compulsory pre shipment Inspection.
- 9 What is the role played by C&F agents in export? Discuss their importance as assistants to exporters.
- 10 Explain role and function of EIA.
- 11 What is duty draw back? Describe procedure for claiming duty draw back
- 12 Discuss the various import concessions available to exports from India.
- 13 What are the excise procedures available to exporters in India for exporting goods without excise duty?
- 14 Describe importance of quality control inspection
- 15 Discuss the advantages and disadvantages of Advance Payment and Open Account system of export payment.
- 16 What is a consignment sale in exports? Who do you think will find it more suitable in a country like India?
- 17 What is the need for export finance? Discuss the two types of facilities available keeping in view the export cycle.
- 18 Discuss the custom clearance procedure of exports from Delhi port.
- 19 Discuss the custom clearance procedure of imports from Delhi port.
- 20 What is the procedure for clearance of goods for imports?
- 21 Describe the procedure for central excise clearance in respect of exempted units.
- 22 Describe the procedure for central excise clearance under bond.
- 23 Describe different types of bill of entry and what documents are to be enclosed for seeking custom clearance of imports?
- 24 What is EPCG scheme and what is the purpose of this scheme?
- 25 What are various types of Duty exemption schemes available to exporters?
- 26 Explain the procedure for new /old capital goods to be imported?
- 27 Enumerate incentives which exporter can claim.
- 28 What are the documents required for claiming the incentives by the exporter?
- 29 Explain procedure for claiming export incentives.
- 30 Explain the procedure of custom clearance of Exports. What steps are involved along with documents used in custom clearance procedure?

- 31 What are the Duty Exemption Schemes as a part of Foreign Trade Policy 2009-14? How are EPCG Scheme different from Duty Exemption Schemes. Explain the procedure of availing these incentives by exporters.
- 32 What are the methods & terms of payments for exports? Explain the mechanism of letter of credit. Why L/C is considered a better method of payment as compared to other methods?
- 33 Explain the procedure of custom clearance of imports. What is the procedure followed at Delhi port? Discuss the documents involved in custom clearance of imports.
- 34 What is the procedure involved in Quality Control and pre-shipment inspection? What agencies are involved and what are different systems of inspection followed in India? Discuss in brief.
- 35 (a) Explain the procedure involved in custom clearance of Imports from Delhi port. Also explain the documents involved.
(b) How can one get a status of Export/Trading/Star Trading/ Superstar Trading House.
- 36 (a) What are various Pre shipment Export credit schemes?
(b) What are various post shipment export credit schemes and how the two are combined in actual practice.
- 37 Comment upon regulatory documents used in export trade. Also discuss the use of ARE-1 in filing the refund of Excise duty on the finished goods on export.
- 38 What is the role of ECGC in Risk Coverage and providing Financial Guarantees? Discuss various policies of ECGC and explain the procedure involved in getting Risk Coverage and providing Financial Guarantees from ECGC.
- 39 Explain Custom clearance procedure and documents involved for import of cargo in India
- 40 Discuss various schemes for import of capital goods in India- procedure and documentation involved.
- 41 Ms. ABC Ltd manufactures brass artefacts, how does Excise and Custom clearance of export take place when the consignment is packed in factory premises.
- 42 What is the importance of Letter of Credit? What is the procedure for opening of Letter of Credit?
- 43 What is the procedure involved in Quality Control and pre-shipment inspection? What agencies are involved and what are different systems of inspection followed in India? Discuss in brief.
- 44 What is the procedure involved in Custom Clearance of Export Shipment from Delhi Customs? What documentation is involved?
- 45 What is ISO? What are needs for Standards? What are the benefits to Society? What a hall mark features of ISO brand?
- 46 Bring out the Coordination between ISO and LTO. How ISO's useful for developing countries. What are the wide applications of ISO standards?
- 47 What are different types of Certification Differentiate the Operational areas. Compare ISO and Badridge award? Where from information an ISO can be obtained?
- 48 How the Standards are developed explain in detail? Who are International Partners? Who are regional Partners?

UNIT - IV

I Test Your Skills:

(a) Multiple choice Questions

1. Unit in a technology park is not eligible for
 - (a) exemption from import duty
 - (b) exemption from quantitative restrictions
 - (c) tax exemptions
 - (d) exemptions from registration requirements

2. Special Economic Zones are
 - (a) situated outside India, but subject to RBI control
 - (b) treated as foreign territory and not Indian laws
 - (c) governed by international and not Indian laws
 - (d) prohibited from buying from Domestic Tariff Area

3. A SEZ cannot be established for
 - (a) manufacture of goods
 - (b) rendering of services
 - (c) functioning as Free Trade and Warehousing Zone
 - (d) none of the above

4. Special Economic Zones were created to
 - (a) Boost manufacturing, Augment exports, Generate employment
 - (b) Boost manufacturing , Augment exports , deemed exports
 - (c) Exports of some special products
 - (d) None of the above

5. Private sector cannot develop Special Economic Zones
 - (a) False
 - (b) true
 - (c) Can't say

6. For EOU units Disposal of used packing material will be allowed on payment of duty on
 - (a) Transaction Value
 - (b) CIF value
 - (c) None of the above
 - (d) Can't say

7. Sale by EOU to SEZ units is treated as
 - (a) Physical exports
 - (b) Deemed exports
 - (c) None of the above
 - (d) Can't say

- 8 FTWZ is expected to address the issues of _____.
- (a) Star Trading Houses
 - (b) Global Trading network and warehousing zone
 - (c) None of the above
 - (d) Can't say
- 9 What % of income tax exemption do the EOUs get?
- (a) 100%
 - (b) 50%
 - (c) Varies from Industry to Industry
 - (d) None of the above
- 10 Special Economic Zones located in areas will be technically treated as _____.
- (a) Foreign Territory for applicability of domestic legislations
 - (b) Financially independent
 - (c) None of the above
 - (d) Can't say
- 11 The full form of EPZ:
- (a) Exempted Processing Zones
 - (b) Export Promotion Zone
 - (c) Export Processing Zone
 - (d) None of the above
- 12 Full form of OBU is
- (a) Offshore Banking Units
 - (b) Offshore Business Units
 - (c) Overseas Business Units
 - (d) None of the above
- 13 License holder shall furnish following details of material being imported
- (a) Specifications
 - (b) Technical Characteristics
 - (c) Pricing
 - (d) All of the Above
- 14 Special Economic Zones were created to
- (a) Boost manufacturing
 - (b) Augment exports
 - (c) Generate employment
 - (d) All of the above
- 15 The geographically distributed area or zone where the economic laws are more liberal as compared to other parts of the country is called
- (a) EOU
 - (b) SEZ
 - (c) AEZ
 - (d) FTZ

- 16 The importability or otherwise of a specified commodity into India is determined by
- (a) Foreign trade (Regulation) Rules Act
 - (b) Foreign Trade (Regulation and Development) Act
 - (c) Imports and Exports (Control) Act
 - (d) Foreign Trade (Exemption) Rules Act
- 17 License holder shall furnish following details of material being imported
- (a) Specifications
 - (b) Technical Characteristics
 - (c) Pricing
 - (d) All of the Above
- 18 When SEZ Act was passed?
- (a) 2002
 - (b) 2003
 - (c) 2004
 - (d) 2005
- 19 Which of the following is an example of intellectual property?
Computer hardware
- (a) Trademarks.
 - (b) Textiles.
 - (c) Electronics equipment
- 20 The period of time permitted for the fulfillment of the export obligation under EPCG is
- (a) 5 years
 - (b) 8 years
 - (c) 7 years
 - (d) 10 years
- 21 The notice for claim under the carriage of goods by rail is to be made within
- (a) 3 months
 - (b) 4 months
 - (c) 5 months
 - (d) 6 months
- 22 The area where the goods are permitted to be imported and re-exported without any processing in the same form is called
- (a) Export Processing Zone
 - (b) Free Trade Zone
 - (c) Special Economic Zone
 - (d) Agri Export Zone
- 23 What is the mode adopted by EIC for the purpose of inspection of good
- (a) Consignment to consignment
 - (b) in process quality
 - (c) Self certification

- (d) All of the above.
- 24 Is arbitration a vehicle of dispute resolution in which parties to a contract selects a neutral arbitrator (or a panel of arbitrators) to present their dispute for a legally binding ruling.
- (a) Yes
 - (b) No
 - (c) Can't say
- 25 In India, the patent available for pharmaceuticals is
- (a) for product only
 - (b) for process only
 - (c) both for product and process
 - (d) neither product nor process
- 26 An OBU set up in SEZ by a bank in India is subject to
- (a) No Capital Adequacy Norms
 - (b) No prudential Accounting Norms
 - (c) No CRR/SLR stipulation of RBI
 - (d) No restrictions from Govt of India
- 27 The export proceeds shall be realized in
- (a) Any foreign currency
 - (b) Non- convertible currency
 - (c) Convertible currency
 - (d) Home currency only
- 28 The export promotion scheme that enables the post export replenishment of duty on inputs used in the export product is
- (a) Replenishment licence.
 - (b) Duty remission scheme
 - (c) Duty exemption scheme
 - (d) Duty free replenishment certificate
- 29 The export promotion scheme with the objective to neutralize the incidence of Customs duty on the import content of the export product is
- (a) Export Promotion Capital Goods
 - (b) Export Credit Guarantee
 - (c) Duty Free Replenishment
 - (d) Duty Entitlement Passbook
- 30 The license that is transferable is
- (a) Export license
 - (b) Advance license
 - (c) DEPB license
 - (d) REP license

- 31 "Services" include all the ----- tradable services covered under the General Agreement on Trade in Services where payments for such services are received in free foreign exchange
- (a) 161
 - (b) 150
 - (c) 139
- 32 The -----are also eligible for the facility of EOU/EPZ/ EHTP/STP scheme.
- (a) service providers
 - (b) CHA
 - (c) Bankers
- 33 If the CIF value of the consignment imported does not exceed-----, the relative Bill of Entry is required to be filed by the registered courier service.
- (a) Rs.200000
 - (b) Rs.300000
 - (c) Rs.100000
- 34 If the CIF value is -----or more, importers are to file separate B/E as in the case of other imports
- (a) Rs.100000
 - (b) Rs.200000
 - (c) Rs.300000
- 35 Import of -----is allowed without payment of Customs duty under the Baggage Rules, 1994.
- (a) Medical Equipment by Indian Doctors and Professionals
 - (b) Arms & ammunition
 - (c) Personal use goods
- 36 Import of free gifts and relief supplies by certain organizations/institutions e.g. Indian Red Cross Society, National Defense Fund is allowed
- (a) False
 - (b) True
- 37 Bona fide technical and trade samples of items, even those in the restricted in ITC(HS)Classifications of Export and Import items is allowed without a license for a value not more than Rs. 1 lakh(CIF)
- (a) True
 - (b) False
- 38 Duty Drawback is given only, if the in house cost of production is -----in relation to international price.
- (a) Higher
 - (b) Lower

- (c) Same
39. The risk of payment is least under the LC, if a bank -----the payments by confirming the LC.
- (a) Makes payment
 - (b) Guarantees
40. For setting up a manufacturing, trading or service units in SEZ, ----- copies of consolidated application & project proposal in the format prescribed at 'Form F' of the SEZ Rules, 2006 to be submitted to the Development Commissioner (DC) of the SEZ.
- (a) 10
 - (b) 05
 - (c) 50
 - (d) All above
41. The New Foreign Trade Policy for the period 2015 to 2020 was announced by the government on the-----
- (a) 1st of April 2015
 - (b) 1st of June 2015
42. MEIS scheme actually is-
- (a) Marine Export from India scheme
 - (b) Mining products Export from India scheme
 - (c) Merchandise Exports from India Scheme
43. As per the MEIS scheme, the export promotion reward ----- shall be issued to exporters without any attached conditions on the basis of realised FOB value provided they pertain to goods notified for the scheme by the government.
- (a) scrips
 - (b) schemes
44. MEIS benefits have also been extended to all -----other than free trade warehousing units.
- (a) large industries
 - (b) SEZ units
45. As per the new trade policy, the previously existing Served From India Scheme (SFIS) has been scrapped, in its place the ----- scheme has been announced.
- (a) Services Export from India (SEIS)
 - (b) Marine Export from India
46. Eligible exporters shall be issued rewards in the form of duty credit scrips based on the net foreign exchange earned
- (a) SEIS
 - (b) MEIS
 - (c) Both

47. The reward scrips themselves and any goods purchased by utilising these scrips are -----by the companies without any restrictions.
- (a) non-transferable
 - (b) freely transferable
48. Specific export requirements under the EPCG scheme have been reduced from 90% of normal amount consideration to -----of the normal amount consideration.
- (a) 95%
 - (b) 50%
 - (c) 75%
49. Premier Trading House certificate has been changed to-----
- (a) Five Star Export house
 - (b) Four Star Export house
50. EOUs have been -----facility to set up Warehouses near the port of export.
- (a) Allowed
 - (b) Disallowed
51. The prevailing Pre shipment Interest rate is-----.
- (a) 14%
 - (b) 18%
 - (c) 10%
52. The current Post shipment Interest rate is -----
- (a) 14%
 - (b) 18%
 - (c) 15%
53. Insurance for domestic business is same as for exports.
- (a) Yes
 - (b) No
 - (c) Can't say
54. Packing credit cannot exceed FOB value of contract.
- (a) No
 - (b) Yes
 - (c) Can't say
55. Exporter has to bear most of commercial risk.
- (a) Yes
 - (b) No
 - (c) Can't say
56. FEMA is civil law unlike FERA.
- (a) No
 - (b) Can't say

- (c) Yes
57. EOU can be located anywhere in the country.
- (a) No
 - (b) Can't say
 - (c) Yes
58. There is no min limit for setting up EOU.
- (a) No
 - (b) Yes
 - (c) Can't say
59. We can sell 80 % of the produce in the DTA from an EOU.
- (a) Yes
 - (b) No
 - (c) Can't say
60. License is required for imports for SEZ units.
- (a) Yes
 - (b) No
 - (c) Can't say
61. Trade Related Investment Measures (TRIMS) doesn't apply for
- (a) Measures that affect trade in goods.
 - (b) Measures that lead to restrictions on quantities.
 - (c) Discouraging measures that limit a company's imports.
 - (d) Discouraging measures that limit a company's exports.
62. General Agreement on Trade in Services will not be applicable to
- (a) Services supplied from one country to another – cross border supply
 - (b) Transaction of goods across the border – Export Import
 - (c) Individuals traveling from own country to supply services in another – presence of natural persons.
 - (d) Consumers/firms making use of a service in another country – consumption abroad.
 - (e) Foreign company setting up subsidiary or branches to provide services in another country – commercial presence.
63. As a part of WTO guidelines, Agreement on Agriculture (AOA) doesn't consider
- (a) Direct payments to farmers are permitted.
 - (b) Indirect assistance and support to farmers including R & D support by govt. are not permitted.
 - (c) Domestic policies which directly effect on production and trade have to be cut back.
 - (d) Least developed countries do not need to make any cuts.
64. WTO is the only international organization dealing with the rules of trade between organizations.
- (a) True
 - (b) False

65. The limit of holdings by Individual Foreign Institutional Investors in a Company has been raised from 5 to 10 % of the company's shares, while the aggregate limit has been increased from 24 to 34 %.
- (a) True
 - (b) False
66. Quantitative restrictions refer to limit set by countries to curb
- (a) Imports
 - (b) Exports
 - (c) Imports & exports
 - (d) None of the above
67. A Most Favored nation status doesn't necessarily refer to
- (a) Same and equal economic treatment
 - (b) Non-discriminatory treatment
 - (c) Same tariff rates applicable
 - (d) Uniform civil code
68. The world trade organization was formed in the year _____ with GATT as its basis.
- (a) 1993
 - (b) 1994
 - (c) 1995
 - (d) 1996
69. Power distance Index (PDI) of 77 compared to a world average of 56.5 for India indicates
- (a) High level of inequality of power and wealth within the society
 - (b) Low level of inequality of power and wealth within the society
 - (c) High level of Political corruption
 - (d) Low level of Human development Index
70. Specific cultural dimensions that does not have a significant impact on cross-national business interactions is
- (a) Hofstede's five cultural dimensions
 - (b) Monochromatic vs polychromatic tune
 - (c) Communication
 - (d) Geography

Ans. (1)(d), (2)(b), (3)(d), (4)(a), (5)(b), (6)(a), (7)(a), (8)(b), (9)(a), (10)(c), (11)(b), (12)(a), (13)(d), (14)(d), (15)(b), (16)(b), (17)(d), (18)(d), (19)(b), (20)(b), (21)(d), (22)(b), (23)(d), (24)(a), (25)(c), (26)(d), (27)(c), (28)(b), (29)(d), (30)(c), (31)(a), (32)(a), (33)(c), (34)(a), (35)(a), (36)(b), (37)(a), (38)(a), (39)(b), (40)(b), (41)(a), (42)(c), (43)(a), (44)(b), (45)(a), (46)(c), (47)(b), (48)(c), (49)(a), (50)(a), (51)(a), (52)(c), (53)(a), (4)(b), (55)(a), (56)(c), (57)(c), (58)(b), (59)(a), (60)(a), (61)(b), (62)(b), (63)(b), (64)(a), (65)(a), (66)(c), (67)(d), (68)(c), (69)(a), (70)(d).

II Short Answer Type Question:

- 1 What are the functions of ECGC?
- 2 State the functions of EXIM bank?

- 3 What is role of DGFT in promotion of exports?
- 4 What is the advantage of registration with ECGC?
- 5 What are the risks covered under the Marine cargo Insurance?
- 6 Elucidate the term Forward exchange risk.
- 7 What are the different methods of financing exports?
- 8 Trading house has limited role in increasing exports. Explain
- 9 What do you understand by the exchange fluctuation risk?
- 10 Write the full forms of the following abbreviations:
EOU, EPZ, FTZ, SEZ
- 11 Explain the following in not more than 50 words:
- Export oriented units
 - Export processing zones
 - Free trade zone
 - Special economic zone
- 12 What are the obligations of exporter in EOU's?
- 13 Explain briefly:
- Star Export Houses
 - Deemed Exports
 - Form H
 - Duty Drawback
 - Warehousing Zones
- 14 Explain the different terms-clearing and forwarding agents, customs house agents and clearing houses.
- 15 Write a scheme of status recognition given to exporter as Export/Trading/ Star/Superstar/ Premier Trading House criteria.
- 16 What are the documents required for claiming the incentives by the exporter?
- 17 Explain procedure for claiming export incentives.
- 18 What is the need for export finance? Discuss the two types of facilities available keeping in view the export cycle.
- 19 Write Short note on:
- Criteria's of getting status of EH/TH/STH/SSTH as defined in ETP.
 - Role and functions of ECGC in India.
- 20 Discuss various steps of post shipment process in an export order.
- 21 In what manner FEMA is considered to be exporter friendly.
- 22 Explain briefly the documents required for Customs Clearance Procedure for imported goods.
- 23 What do you mean by Rediscounting of Export Bills Abroad Scheme (EBR)
- 24 Discuss briefly Duty Free Import Authorization Scheme
- 25 Explain briefly the Advance Authorization Scheme
- 26 Explain the procedure of Custom Clearance of Imports.
- 27 What do you understand by individual Post-shipment Export Credit Cover under Standard Policy of ECGC?
- 28 List the documents involved for import of cargo in India
- 29 Discuss different types of the appraising procedure of Bill of Entry on import of cargo
- 30 Explain Custom Clearance procedure of imported goods.
- 31 Write short notes on:
- Custom clearance procedures and documents involved for import cargo in India.
 - Documentary requirement for Import of capital goods in India

- (c) Bill of Entry and its amended version
- (d) Status Holders
- (e) The new nomenclature of Export Houses
- 32 What are the objective of Export control
- 33 Explain caution list
- 34 Describe export of gold and other items
- 35 Explain payment method
- 36 Analyse periods prescribed for various exports

III Long Answer Type Question:

1. Explain about Pre shipment and Post shipment exports credit schemes. What are current interest rate for pre and post shipment?
2. Describe packing credit facility scheme and methodology to obtain same.
3. Explain role and objectives of EXIM bank .What are new initiatives taken by EXIM bank for increasing exports.
4. Explain the role and objectives of ECGC. What are new initiatives taken by ECGC for increasing exports?
5. Describe in detail about foreign exchange cover.
6. Describe in detail about import financing schemes
7. What type of risks are faced by exporter? What is the best way of managing such risks?
8. What is exchange fluctuation risk? Discuss various ways available for exporter to safeguard interest.
9. Explain how FEMA is exporter friendly.
10. What are the criteria for exports /Trading/ Star Trading houses in current Foreign Trade Policy?
11. What are the benefits for exports /Trading/ Star Trading houses?
12. Differentiate between exports /Trading/ Star Trading houses as per current Foreign Trade Policy.
13. Differentiate between EOU, FTZ, EPZ, SEZ indicating various advantages and benefits.
14. Explain the procedure for setting up EOU?
15. Describe the process for setting up FTZ?
16. What is procedure for setting up SEZ?
17. How does EOU/EPZ/FTZ/SEZ help in achieving the basic objective of export promotion?
18. What are the objectives and salient features of export oriented units (EOUs)?
19. What is the approval mechanism of export oriented units (EOUs)?
20. What are the provisions for EOUs in EXIM policy 2009-2014? Mention the recent changes in the EXIM policy?
21. What are the objectives and salient features of Special Economic Zones (SEZ)?
22. What is the approval mechanism of SEZ?
23. Differentiate between EOU, EPZ, FTZ, SEZ indicating various benefits from government, limitations and operational difficulties.
24. What is the procedure for setting up setting up SEZ units in India?
25. What are the major highlights of EXIM policy 2009-2014 with respect to SEZ's?
26. What are incentives / facilities given to SEZ units?
27. What are the excise procedures available to exporters in India for exporting goods without excise duty?
28. Discuss the various import concessions available to exports from India.
29. What is meant by SEZ? Discuss the benefits available to units working from SEZs.
30. What do you understand by Pre-shipment and Post-shipment Export Finance? Discuss the procedure of obtaining Packing Credit from any commercial bank?
31. In India EXIM bank plays an intermediary role between the Indian exporters and the overseas forfeiting agencies." Comment and support the statement.

- 32 Explain the importance of export assistance. In this reference explain fiscal and financial assistance to the exporters.
- 33 Explain the methods of claiming excise incentives under various schemes of central excise rule.
- 34 How can an exporter seek protection against risk associated with the fluctuations in the rate of exchange (foreign exchange risk management)
- 35 Explain the role of clearing houses in import of goods.
- 36 Explain the role of clearing and forwarding agents in the exporting of the goods.
- 37 What are EOU's, how are they different from SEZ's? What is the policy of government in stating EOU's or units in SEZ's. What are the benefits/incentives available to EOU's and units in SEZ's.
- 38 Write notes on:
- (a) Scheme of status recognition given to exporters as export/trading/star/superstar/premier Trading House Criteria and Benefits available.
- (b) Role of ECGS.
- 39 What are SEZs? How to establish a unit in a SEZ, discuss the procedure involved. What benefits are available in SEZ?
- 40 Explain in brief various incentives available to exporter for export promotion. How to avail duty drawback under duty remission scheme?
- 41 "Export Promotion Capital Goods Scheme (EPCG) helps in making export competitive, of better quality;" do you agree the statement. Explain.
- 42 Higher Support for Market and Product Diversification has been given under Foreign trade policy 2009-14, substantiate the statement.
- 43 What steps have been taken for Simplification of Procedures under Foreign trade policy 2009-14?
- 44 What is EOUs and SEZ? Explain the criteria, benefits, procedure and documentation involved in setting EOUs and units in SEZs in India?
- 45 Write a detailed note on Pre-shipment and Post-shipment export credit schemes for exporters. How these two stages are related in actual practice of export finance? Explain with schemes which combine the two?
- 46 What are the provisions of EXIM Policy relating to services exports? Discuss in detail.
- 47 What are the various policies of ECGC explain the procedures involved in getting risk coverage and financial guarantee from ECGC.
- 48 What are EOU's and SEZ's? Explain the criteria's benefits procedures documentation involved in setting up an EOU and Units in SEZ's.
- 49 Explain the EPCG scheme for import of capital goods. Give the procedure involved.
- 50 What are the exempted categories – illustrate. What are forms of declaration? Explain GR/PP procedure
- 51 When counter signature on PP for is requires Discuss the role and functions of ECGC in India.
- 52 What are the procedures involved in getting excise clearance and customs clearance of exports?
- 53 Describe the Export Promotion measures taken by the Government of India. Discuss about different types of pre-shipment finance.
- 54 Assess the role of EXIM Bank in extending help to Indian Exporters.
- 55 Discuss the functions and role of ECGC in Export Finance. What are the political risks taken by ECGC?
- 56 Analyse the various tax and excise incentives available to Indian Export House.

QUESTION BANK

INTERNATIONAL ECONOMICS

MS 257

QUESTION BANK
INTERNATIONAL ECONOMICS - MS 257
MBA III

UNIT - I

I Test Your Skills:

(a) Multiple Choice Questions:

- 1 What is the most important fact about U.S. international trade in the after-war period?
 - (a) Exports exceed imports.
 - (b) Exports and imports are a large share of U.S. GDP.
 - (c) Both imports and exports grew significantly as a share of GDP.
 - (d) Imports exceed exports.

- 2 Which of the following is NOT true?
 - (a) Small countries depend more on trade than large countries.
 - (b) U.S. imports exceed U.S. exports.
 - (c) Economists believe that international trade is beneficial for all countries involved in it, in most cases.
 - (d) Imports cannot exceed exports for an extended period of time.

- 3 The term "gains from trade" describes:
 - (a) The fact that when two countries trade, both are better off.
 - (b) Consumer surplus.
 - (c) Profits made by businessmen involved in international trade.
 - (d) Producer surplus.
 - (e) The income of middlemen in a transaction.

- 4 Why do some people argue against free international trade?
 - (a) Trade alters the distribution of income between broad groups of people.
 - (b) Free trade threatens our country's security.
 - (d) There is disagreement on whether or not there are gains from trade.
 - (d) The U.S. is a large country and therefore does not gain from international trade.

- 5 Which of the following theories was proposed by David Ricardo?
 - (a) Theory of differences in labor productivity.
 - (b) Theory of differences in climate and resources.
 - (c) Theory of random components determining the pattern of trade.

- (e) Theory of differences in factor endowments.
- 6 What are most trade policies driven by?
- (a) Conflicts of interest between nations.
 - (b) Conflicts of interest within nations.
 - (c) Disagreements regarding who should produce certain products.
 - (d) Disagreements on the prices of major commodities.
- 7 We cannot tell whether in general trade surplus is good or bad because:
- (a) We do not have enough evidence from the available data.
 - (b) Economists do not agree on this issue.
 - (c) It depends on economic environment in each country.
 - (d) Trade is always balanced.
- 8 Many countries were fixing the price of their currency in terms of gold:
- (a) Before World War I.
 - (b) During World War I.
 - (c) After World War II.
 - (d) During World War II.
- 9 How are international trade policies governed?
- (a) By the IMF.
 - (b) They are not governed by anyone.
 - (c) By the GATT.
 - (d) By the U.N.
 - (e) By the OECD.
- 10 Which of the following is NOT true regarding international capital markets?
- (a) There are special regulations in many countries with respect to foreign investment.
 - (b) The volume of trade on capital markets is lower ever since the "debt crisis" of 1982.
 - (c) Nations can default on their debt and may not be brought to court.
 - (d) Currency fluctuations add instability.
- 11 In his empirical test of comparative advantage, Wassily Leontief found that
- (a) U.S. exports are capital intensive relative to U.S. imports
 - (b) U.S. imports are labor intensive relative to U.S. exports
 - (c) U.S. exports are neither labor nor capital intensive
 - (d) None of the above

- 12 By adjusting the model of comparative advantage to include transportation costs along with production costs, we would expect
- the prices of traded goods to be lower than when there are no transportation costs
 - specialization to stop when the production costs of the trading partners equalize
 - the volume of trade to be less than when there are no transportation costs
 - the gains from trade to be greater than when there are no transportation costs.
- 13 Assume that Country A is relatively abundant in labor and Country B is relatively abundant in land. Note that wages are the returns to labor and rents are the returns to land. According to the factor price equalization theorem, once Country A begins specializing according to comparative advantage and trading with Country B.
- Wages and rents should fall in Country A
 - Wages and rents should rise in Country A
 - Wages should rise and rents should fall in Country A
 - Wages should fall and rents should rise in Country A
- 14 Countries trade with each other because they are _____ and because of _____.
- Different, increasing returns to scale technology
 - Similar, increasing returns to scale technology
 - Different, different endowments of labor
 - Similar, similar opportunity costs
 - None of the above.
- 15 Trade between two countries can benefit both countries if
- Each country exports that good in which it has a comparative advantage.
 - Each country enjoys superior terms of trade.
 - Each country has a more elastic demand for the imported goods.
 - Each country has a more elastic supply for the supplied goods.
 - Both C and D.
- 16 The Ricardian theory of comparative advantage states that a country has a comparative advantage in widgets if
- Output per worker of widgets is higher in that country.
 - That country's exchange rate is low.
 - Wage rates in that country are high.
 - The output per worker of widgets as compared to the output of some other product is higher in that country.

- 17 In order to know whether a country has a comparative advantage in the production of one particular product we need information on at least ____unit labor requirements
- (a) One
 - (b) Two
 - (c) Three
 - (d) Four
 - (e) Five
- 18 As a result of trade, specialization in the Ricardian model tends to be
- (a) Complete with constant costs and with increasing costs.
 - (b) Complete with constant costs and incomplete with increasing costs.
 - (c) Incomplete with constant costs and complete with increasing costs.
 - (d) Incomplete with constant costs and incomplete with increasing costs.
 - (e) None of the above.
- 19 A nation engaging in trade according to the Ricardian model will find its consumption bundle
- (a) Inside its production possibilities frontier.
 - (b) On its production possibilities frontier.
 - (c) Outside its production possibilities frontier.
 - (d) Inside its trade-partner's production possibilities frontier.
 - (e) On its trade-partner's production possibilities frontier.
- 20 In the Ricardian model, if a country's trade is restricted, this will cause all except which?
- (a) Limit specialization and the division of labor.
 - (b) Reduce the volume of trade and the gains from trade
 - (c) Cause nations to produce inside their production possibilities curves
 - (d) May result in a country producing some of the product of its comparative Disadvantage
- 21 If a very small country trades with a very large country according to the Ricardian model, then
- (a) The small country will suffer a decrease in economic welfare.
 - (b) The large country will suffer a decrease in economic welfare.
 - (c) The small country will enjoy gains from trade.
 - (d) The large country will enjoy gains from trade.
 - (e) None of the above.

- 22 The following are all assumptions that must be accepted in order to apply the Heckscher - Ohlin Theory, except for one:
- Countries differ in their endowments of factors of production.
 - Countries differ in their technologies.
 - There are two factors of production.
 - Production is subject to constant returns to scale.
 - One product always requires more machines per worker in its production than does the other product.
- 23 In international-trade equilibrium in the Heckscher-Ohlin model,
- The capital rich country will charge less for the capital intensive good than the price paid by the capital poor country for the capital-intensive good.
 - The capital rich country will charge the same price for the capital intensive good as that paid for it by the capital poor country.
 - The capital rich country will charge more for the capital intensive good than the price paid by the capital poor country for the capital-intensive good.
 - The workers in the capital rich country will earn more than those in the poor country.
- 24 The Heckscher-Ohlin model predicts all of the following except:
- Which country will export which product
 - Which factor of production within each country will gain from trade.
 - The volume of trade.
 - That wages will tend to become equal in both trading countries.
 - None of the above.
- 25 The Heckscher-Ohlin model differs from the Ricardian model of Comparative Advantage in that the former
- Has only two countries
 - Has only two products.
 - Has two factors of production.
 - Has two production possibility frontiers (one for each country).
 - None of the above.
- 26 In free trade between two countries in an H-O world:
- If both countries produce both goods, wages in the two countries will be the same.
 - If one country does not produce both goods, wages in the two countries will be the same
 - The world relative price is between the two-self-sufficiency relative Prices but the relative Price of a good would not be exactly the same in both countries
 - All of the above
 - Both a. and c.

- 27 The trade model of the Swedish economists Heckscher and Ohlin maintains that:
- (a) Absolute advantage determines the distribution of the gains from trade
 - (b) Comparative advantage determines the distribution of the gains from trade.
 - (c) The division of labor is limited by the size of the world market
 - (d) A country exports goods for which its resource endowments are most suited.
- 28 According to the factor endowment model of Heckscher and Ohlin, countries heavily endowed with land will:
- (a) Devote excessive amounts of resources to agricultural production.
 - (b) Devote insufficient amounts of resources to agricultural production
 - (c) Export products that are land-intensive.
 - (d) Import products that are land-intensive.
- 29 According to the Heckscher-Ohlin model, the source of comparative advantage is a country's:
- (a) Technology
 - (b) Advertising
 - (c) Factor endowments
 - (d) Both (a) and (c)
- 30 The Heckscher-Ohlin model rules out the classical model's basis for trade by assuming that _____ is (are) identical between countries.
- (a) Factor endowments
 - (b) Factor intensities
 - (c) Technology
 - (d) Opportunity costs
- 31 According to the Heckscher-Ohlin model
- (a) Everyone automatically gains from trade
 - (b) The gainers from trade outnumber the losers from trade
 - (c) The scarce factor necessarily gains from trade
 - (d) None of the above
- 32 Countries H and F operate in an H-O world. Each country produces two goods, A and B. Good A is relatively capital intensive and country F is relatively labor abundant. Suppose however, that the production technology is not the same in the two countries. That is, H has a superior technology of production compared to F.
- (a) Free trade will equalize wages between the two countries
 - (b) In free trade, there will be no incentive for migration of labor from H to F.
 - (c) In free trade there will be some incentive for workers from F to migrate to H.
 - (d) Both b. and c.
 - (e) None of the above.

- 33 According to the Heckscher - Ohlin model, if the United States is richly endowed in human capital relative to Mexico, then as NAFTA increasingly leads to more bilateral free trade between the two countries,
- (a) The United States will find its industrial base sucked into Mexico
 - (b) Mexico will find its relatively highly skilled workers drawn to the United States
 - (c) The wages of highly skilled U.S. workers will be drawn down to Mexican levels
 - (d) The wages of highly skilled Mexican workers will rise to those in the United States.
 - (e) The wages of highly skilled Mexican workers will fall to those in the United States.
- 34 In the 2-factor, 2 good Heckscher-Ohlin model, an influx of workers from across the border would
- (a) Moves the point of production along the production possibility curve
 - (b) Shifts the production possibility curve outward, and increase the production of both good
 - (c) Shift the production possibility curve outward and decrease the production of the Labor-intensive product
 - (d) Shift the production possibility curve outward and decrease the production of the capital-intensive product.
 - (e) None of the above.
- 35 In the 2-factor, 2 good Heckscher-Ohlin model, the two countries differ in
- (a) Tastes
 - (b) Military capabilities
 - (c) Size
 - (d) Relative availabilities of factors of production
 - (e) Labor productivities
- 36 According to the Heckscher-Ohlin model, the source of comparative advantage is a country's
- (a) Technology
 - (b) Advertising.
 - (c) Factor endowments
 - (d) Both A and B.
- 37 One way in which the Heckscher-Ohlin model differs from the Ricardo model of comparative advantage is by assuming that _____ is (are) identical in all countries.
- (a) Factor of production endowments
 - (b) Scale economies
 - (c) Factor of production intensities

- (d) Technology
 - (e) Opportunity costs
38. The Heckscher-Ohlin model assumes that _____ are identical in all trading countries
- (a) Gross domestic product
 - (b) Technologies
 - (c) Factor endowments
 - (a) Both A. and B
 - (b) None of the above.
39. As opposed to the Ricardian model of comparative advantage, the assumption of diminishing returns in the Heckscher-Ohlin model means that the probability is greater that with trade
- (a) Countries will not be fully specialized in one product
 - (b) Countries will benefit from free international trade.
 - (c) Countries will consume outside their production possibility frontier.
 - (d) Comparative advantage is primarily supply related.
 - (e) None of the above.
40. Which of the following is false (for the Heckscher-Ohlin model)?
- (a) Differences in technologies could be the source of gains from trade
 - (b) Some groups may gain and some may lose due to trade
 - (c) Gains for the trade-related winners will tend to be larger than losses of losers.
 - (d) None of the above.
41. If a commodity is classified as "labor-intensive" at one set of relative factor prices but "capital-intensive" at another set of relative prices, this situation is known as
- (a) demand reversal.
 - (b) factor-intensity reversal.
 - (c) balance of payment reversal
 - (d) factor price reversal
42. If relatively capital-abundant country A opens trade with relatively labor-abundant country B and the trade takes place in accordance with the Heckscher-Ohlin Theorem. What would be the consequence for factor prices (w/r) in the two countries?
- (a) (w/r) rises in A and falls in B
 - (b) (w/r) rises in A and also rises in B
 - (c) (w/r) falls in A and rises in B

- (d) w/r falls in A and also falls in B
43. An implication of the Heckscher-Ohlin Theorem is that
- (a) if two countries have identical tastes, then no trade will occur between them.
 - (b) the relative price of a country's scarce factor of production will rise when the country is opened to trade.
 - (c) income distribution in a country does not change when a country is opened to trade.
 - (d) two countries with identical tastes can still have a basis for trade if factor endowments of the countries differ and if the factor intensities of the commodities differ.
44. Theory of comparative advantage was presented by:
- (a) Adam Smith
 - (b) Ricardo
 - (c) Hicks
 - (d) Arshad
45. Which of the following is international trade:
- (a) Trade between provinces
 - (b) Trade between regions
 - (c) Trade between countries
 - (d) (b) and (c) of above
46. Which is NOT an advantage of international trade:
- (a) Export of surplus production
 - (b) Import of defence material
 - (c) Dependence on foreign countries
 - (d) Availability of cheap raw materials
47. Trade between two countries can be useful if cost ratios of goods are:
- (a) Equal
 - (b) Different
 - (c) Undetermined
 - (d) Decreasing
48. Modern theory of international trade is based on the views of:
- (a) Robbins and Ricardo
 - (b) Adam Smith and Marshall
 - (c) Heckscher and Ohlin
 - (d) Saleem and Kareem

49. Foreign trade creates among countries:
- (a) Conflicts
 - (b) Cooperation
 - (c) Hatred
 - (d) Both (a) & (b)
50. Net exports equal:
- (a) Exports x Imports
 - (b) Exports + Imports
 - (c) Exports - Imports
 - (d) Exports of services only
51. Which of the following is international trade:
- (a) Trade between provinces
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53. Which is NOT an advantage of international trade:
- (a) Export of surplus production
 - (b) Import of defence material
 - (c) Dependence on foreign countries
 - (d) Availability of cheap raw materials
54. If Japan and Pakistan start free trade, difference in wages in two countries will:
- (a) Increase
 - (b) Decrease
 - (c) No effect
 - (d) Double
55. Trade between two countries can be useful if cost ratios of goods are:
- (a) Equal
 - (b) Different
 - (c) Undetermined
 - (d) Decreasing

56. Modern theory of international trade is based on the views of:
- (a) Robbins and Ricardo
 - (b) Adam Smith and Marshall
 - (c) Heckscher and Ohlin
 - (d) Saleem and Kareem
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 - (d) Both (a) & (b)
58. Net exports equal:
- (a) Exports x Imports
 - (b) Exports + Imports
 - (c) Exports - Imports
 - (d) Exports of services only
59. According to Heckscher and Ohlin basic cause of international trade is:
- (a) Difference in factor endowments
 - (b) Difference in markets
 - (c) Difference in political systems
 - (d) Difference in ideology
60. All are advantages of foreign trade EXCEPT:
- (a) People get foreign exchange
 - (b) Nations compete
 - (c) Cheaper goods
 - (d) Optimum utilisation of country's resources
61. A primary reason why nations conduct international trade is because:
- (a) Some nations prefer to produce one thing while others produce another
 - (b) Resources are not equally distributed to all trading nations
 - (c) Trade enhances opportunities to accumulate profits
 - (d) Interest rates are not identical in all trading nations
62. A main advantage of specialization results from:
- (a) Economics of large scale production
 - (b) The specializing country behaving as a monopoly
 - (c) Smaller production runs resulting in lower unit costs.
 - (d) High wages paid to foreign workers

63. International trade in goods and services is sometimes used as a substitute for all of the following except:
- (a) International movements of capital.
 - (b) International movements of labor.
 - (c) International movements of technology
 - (d) Domestic production of different goods and services
64. If a nation has an open economy it means that the nation:
- (a) Allows private ownership of capital.
 - (b) Has flexible exchange rates
 - (c) Has fixed exchange rates
 - (d) Conducts trade with other countries
65. International trade forces domestic firms to become more competitive in terms of:
- (a) The introduction of new products
 - (b) Product design and quality
 - (c) Product price
 - (d) All of the above
66. The movement to free international trade is most likely to generate short-term unemployment in which industries:
- (a) Industries in which there are neither imports nor exports
 - (b) Import-competing industries.
 - (c) Industries that sell to domestic and foreign buyers
 - (d) Industries that sell to only foreign buyers
67. International trade is based on the idea that:
- (a) Exports should exceed imports
 - (b) Imports should exceed exports
 - (c) Resources are more mobile internationally than are goods
 - (d) Resources are less mobile internationally than are goods
68. Arguments for free trade are sometimes disregarded by politicians because:
- (a) Maximizing domestic efficiency is not considered important
 - (b) Maximizing consumer welfare may not be a chief priority
 - (c) There exist sound economic reasons for keeping one's economy isolated from other economies.
 - (d) Economists tend to favor highly protected domestic markets
69. Increased foreign competition tend to
- (a) Intensify inflationary pressure at home
 - (b) Induce falling output per worker-hour for domestic workers
 - (c) Place constraints on the wages of domestic workers
 - (d) Increase profits of domestic import-competing industrie

70. Free trade is based on the principle of:

- (a) Comparative advantage
- (b) Comparative scale
- (c) Economies of advantage
- (d) Production possibility advantage

Ans. (1)(c), (2)(d), (3)(a), (4)(a), (5)(a), (6)(b), (7)(c), (8)(a), (9)(c), (10)(b) (11)(d), (12)(c),(13)(c), (14)(e), (15)(a), (16)(d), (17)(d), (18)(b), (19)(c), (20)(c), (21)(c) (22)(b), (23)(b), (24)(c), (25)(c), (26)(a) (27)(d), (28)(c), (29)(c), (30)(c), (31)(b), (32)(d), (33)(d), (34)(d), (35)(d), (36)(c), (37)(d), (38)(b), (39)(a), (40)(a), (41)(b), (42)(c), (43)(d), (44)(b), (45)(c), (46)(c), (47)(b),(48)(c), (49)(b), (50)(c), (51)(c), (52)(b), (53)(c), (54)(b), (55)(b), (56)(c), (57)(b), (58)(c), (59)(a), (60)(a), 61(b), 62(a), 63(d), 64(d), 65(d), 66(b), 67(d), 68(b), 69(c), 70(b)

II Short Answer Type Questions:

- 1 Distinguish between the following:
 - (a) Terms of trade and rate of exchange
 - (b) Exchange control and convertibility of a currency.
- 2 Refresh the following concepts and terms:
 - (a) Eternal scarcity of means of satisfaction.
 - (b) Immiserising growth.
 - (c) Foreign exchange reserves.
 - (d) Footloose funds and their parking.
 - (e) Factor endowment of a country
- 3 How would you describe an economy? Why does every society need an economic system? Why are modern economies of the world always undergoing a transformation?
- 4 Distinguish between an open and a closed economic system Discuss salient arguments for and against having an open economy.
- 5 Define Production Possibility Curve of an economy. Highlight its assumptions, shape and limitations. Discuss the nature of long term shifts in it.
- 6 Briefly review the meaning of the following terms:
 - (a) Opportunity cost of good X in terms of good Y;
 - (b) $MRTS_{X,Y}$ and $MRTS_{Y,X}$
 - (c) Returns to scale and shape of PPC.
- 7 What are community indifference curves? Highlights their assumptions and limitations.
- 8 Describe the determination of prices and product mix in a closed economy with its PPC and indifference curves.
- 9 Write short notes on:

- (a) Basic questions and conclusions of the Classical Theory of international trade.
 - (b) Mercantilist philosophy and its relevance.
 - (c) International trade as a substitute for international mobility of factors of production.
 - (d) “Three Kinds of Cost Differences”.
- 10 Do you agree with the view that the comparative advantage model is invalid as it is based on a set of extremely unrealistic assumptions which do not conform to the world reality. Give arguments.
- 11 Write short notes on following:
- (a) Production Sharing
 - (b) Trade and marginalization
 - (c) Intra- regional Trade
 - (d) Global Sourcing
- 12 Evaluate the Heckscher - Ohlin Model.
- 13 Discuss the inter-relationship between foreign trade and economic development.
14. What is the basis of international trade? Why do nations trade?
15. What are the main differences between international trade & interregional trade?
16. Discuss briefly the Absolute Advantage Model of Adam Smith.
17. What do you understand by an offer curve? Explain
18. Do you think that the comparative advantage theory is valid for modern economies? Discuss.
19. What do you mean by Leontief Paradox?
20. The gains from specialization and trade are discussed in terms of production gains and consumption gains. What do these terms mean?
21. What factors underlie whether specialization in production will be partial or complete on an international basis.
28. How did Smith’s views on international trade differ from those of the mercantilists?
23. On what basic concept did Smith base his concept of absolute cost advantage.
24. How can economies of large scale production affect world trade patterns?
- 25 Write short notes on the following:
- (a) Imperfect Competition and International Trade
 - (b) Multilateralism Vs. Regionalism
26. What is meant by labor-intensive commodity? Capital-intensive commodity? Capital–labor ratio?
27. What is meant by capital-abundant nation? What determines the shape of the production frontier of each nation?
28. Did more recent research confirm or reject the H–O model?
29. Explain why the Heckscher–Ohlin theory is a general equilibrium model.
30. What does the factor–price equalization theorem postulate?

III Long Answer Type Questions:

- 1 Elaborate the claim that economies of the world are highly interdependent upon one another. In the light of your findings, suggest an appropriate policy framework for the Indian authorities.
- 2 What do you understand by the term “International Economics”? Differentiate it from “international trade”?
- 3 “International Economics is a part of both microeconomics and macroeconomics.” Elaborate.
- 4 What do you think should constitute the subject matter of International Economics?
- 5 Differentiate between International Economics and International Trade. Highlight the realities which have to be analysed and tackled in international economics. Do you think that study of international economics can be of help in formulating appropriate economic policies?
- 6 On what basis did the classical economists justify their stand that economic laws of domestic trade could not explain international trade? Assess the validity of their arguments in the context of current world reality.
- 7 Discuss the arguments which, in your opinion, provide the basic reason for treating international economics as a separate branch of economics. Also, highlight its expanding coverage together with growing complexity of its contents.
- 8 Write a short note on the phenomenon of international factor mobility.
- 9 Some analysts of international trade base their reasoning on the differences in factor endowment of different countries. Do you think countrywise distribution of factor endowment is a static feature of the world economy? Give reasons for your answer.
- 10 Discuss the dynamism of international economic parameters and growing economic interdependence of countries.
- 11 Highlight the risks of economic destabilization posed by the phenomena of foreign exchange reserves and floating exchange rates. Is there an inherent contradiction in several countries aiming at having foreign exchange reserves? Give reasons for your answer.
- 12 Draw an imaginary PPC of a country when both X and Y goods are subject to increasing returns to scale. Try to find autarky equilibrium with this PPC and community’s indifference curves. Note the outcome of your attempt.
- 13 What is meant by demand-offer curve of a country? How would you derive a from
 - (a) descriptive reasoning, and
 - (b) PPC of the country?
- 14 Discuss the nature, shape and use of a typical demand-offer curve of a country.
- 15 Analyse the determination of equilibrium values of export goods, import goods and terms of trade of an open economy with the help of demand-offer curves. How would you expect these values to change when demand-offer curves shift?
- 16 outline pro-Keyensian three-market approach and the place of international capital flows in it.

- 17 Briefly describe the functional relationship between Y and i and other macro variables of the economy to derive IS, LM and FE curves, and highlight their limitations.
- 18 Write a note on the concurrency of IS, LM and FE curves as a pre-condition for a three-market equilibrium. Point out whether it is expected to have a long term stability or not.
- 19 Keeping in view the multi-dimensional growth of Indian Economy since Independence, identify some “sunrise” and “sunset” industries as also of the potential new sources of energy. Make an assessment of the expected changes in our international trade composition and capital inflows in the next few years.
- 20 highlight the assumptions of the Classical (Ricardian) Theory of International trade and assess their validity.
- 21 What do you understand by the “law of comparative advantage”? Explain it with the help of a numerical example. How is trade under comparative cost advantage gainful to the individual traders and the trading countries?
- 22 What is meant by the term “complete specialization”? Does the existence of comparative cost differences always result in complete specialization? Cover the “small country case” in your discussion.
- 23 “The classical theory of international trade is a mixture of merits and demerits” Assess this claim.
- 24 To what extent is it possible to remove the restrictive assumptions of Ricardian theory of international trade without affecting its basics? Give illustrations.
- 25 What are trading costs? How do they affect trade volumes? Is the impact on trade volume a uniform one for all kinds of trade items?
- 26 Highlight the distinguishing features of the opportunity cost approach to international trade and compare it with those of the Ricardian model.
- 27 In a situation of two goods and two countries, illustrate alternative cost differences with the help of “normalized” opportunity cost curves and explore, in each case, the possibility of trade between the said countries. What would happen if there are increasing opportunity costs?
- 28 On what basis do the Ricardian and opportunity cost theories of international trade claim that there would never be a situation of a deficit or a surplus balance of trade? Would their claim hold even when currencies of the trading countries are on paper standard?
- 29 Evaluate the opportunity cost theory of international trade with specific elaboration of its merits and demerits.
- 30 To what extent can a lower-cost country pay higher wages and still continue to trade with the higher-cost country? Illustrate your answer with numerical examples.
- 31 Examine critically the Heckscher Ohlin theory of international trade I₀ the theory supported by empirical evidence.
32. The Third World Countries seem to doubt the relevance & applicability of the comparative advantage model to their economies. State & discuss their arguments fully.

33. By pushing forward the scope for specialization & division of labour, international trade has contributed to the high standards of living for the citizens of all nations. Do you agree with the statement? Critically discuss.
34. Explain the factors of production & production possibility curve under Heckscher Ohlin model.
35. "Custom duties, taxes & other charges levied on importation influence the price of imported product." Discuss.
36. "International trade in goods & services is a substitute for international movements of labour & capital". Examine & evaluate this statement critically.
37. Critically examine the relative advantages of the Ricardian theory of comparative cost advantage and Heckscher Ohlin trade model.
38. Discuss the aims of regional grouping resulting in various types of international economic orders? Give examples of various types of international grouping that exist in the world.
39. Critically examine the relative advantages of the Ricardian theory of comparative cost advantage & Heckscher Ohlin Trade Model.
40. According to Heckscher and Ohlin, what is the impact on distribution of income between capital (K) owners and labor (L) owners in the long run in a capital abundant nation when trade is introduced?
41. "Perfect factor mobility is a perfect substitute for perfect goods mobility." Discuss.
42. Distinguish between intraindustry trade and interindustry trade. What are some major determinants of intraindustry trade?
41. How does the comparative cost concept relate to a nation's production possibilities schedule? Illustrate how differently shaped production possibilities give rise to different opportunity costs.
42. How does the Leontief paradox challenge the overall applicability of the factor endowment model?
44. How does the Leontief paradox challenge the overall applicability of the factor endowment model?
45. Critically examine the Factor Endowment and Heckscher Ohlin Theory of International Trade.
46. Develop an arithmetic example that illustrate how a nation could have an absolute disadvantage in the production of two goods and could still have a comparative advantage in the production of one of them.
47. How does the Heckscher-ohlin theory differ from Absolute Advantage theory in explaining international trade patterns? How trade affects the distribution of income within the trading partners? Explain.
48. In the Ricardian analysis, why does each trading partner have an incentive to produce at an end point of its production possibility frontier?
49. When might the consumption possibilities frontier with trade not be outside the consumption possibilities frontier under autarky? Why?
50. What does the Heckscher- Ohlin theory postulate? Explain the force that Heckscher and Ohlin identify as the basic determinant of comparative advantage and trade?
51. What is incomplete specialization? Why do developed nations benefit from international trade in the first instance but underdeveloped nations in the second?

52. What is meant by economies of scale? How can this be the basis for international trade? Explain the concept of “new international economies of scale”?
53. What determines the capital–labor ratio in the production of each commodity in both nations? Which of the two nations would you expect to use a higher capital–labor ratio in the production of both commodities? Why? Under what circumstance would the capital–labor ratio be the same in the production of both commodities in each nation?
54. If labor and capital can be substituted for each other in the production of both commodities, when can we say that one commodity is capital intensive and the other labor intensive?
55. What does the Heckscher–Ohlin theory postulate? Which force do Heckscher and Ohlin identify as the basic determinant of comparative advantage and trade?
56. What is meant by the Leontief paradox? What are some possible explanations of the paradox? How can human capital contribute to the explanation of the paradox?
57. What were the results of empirical tests on the relationship between human capital and international trade? Natural resources and international trade? What is the status of the H–O theory today?
58. What is meant by factor-intensity reversal? How is this related to the elasticity of substitution of factors in production? Why would the prevalence of factor reversal lead to rejection of the H–O theorem and the factor–price equalization theorem? What were the results of empirical tests on the prevalence of factor reversal in the real world?

UNIT – II

I Test Your Skills:

(a) Multiple Choice Questions:

- 1 In 2003, the US had the largest total amount of imports from and exports to
 - (a) China.
 - (b) Mexico.
 - (c) Canada.
 - (d) Germany.
 - (e) the United Kingdom.

- 2 In its most basic form, the gravity model says that the most important factors that describe the amount of trade between countries are
 - (a) the cultural affinity between the countries and the existence or lack of a common language.
 - (b) the tariff barriers between the countries and the costs of transportation.
 - (c) differences in wages and technology between countries.
 - (d) differences in the amount of workers and physical capital between countries.
 - (e) the amount that the countries produce and the distance between them.

- 3 Evidence shows that
- (a) the effect of borders is not important when comparing international trade with trade between regions within a country.
 - (b) the amount of trade that a country undertakes is not related to its geography.
 - (c) the amount of trade between countries is not related to the cultural affinity between the countries.
 - (d) countries farther apart have less trade between them on average.
 - (e) the amount of trade that a country undertakes is not related to the number of multinational corporations in that country.
- 4 The North American Free Trade Agreement
- (a) has reduced the usefulness of the gravity model.
 - (b) has shown that international borders no longer affect the amount of trade between countries.
 - (c) has reduced tariffs and other trade restrictions among British Columbia, Manitoba and Ontario.
 - (d) has reduced tariffs and other trade restrictions among Canada, Mexico and the US.
 - (e) has shown that cultural ties are more important in determining the amount of trade between countries than tariff rates.
- 5 While technologies have reduced the negative effect that distance has on trade,
- (a) the effect of international borders has not been reduced through trade agreements.
 - (b) the effects of the Internet and airplanes on trade have been negligible.
 - (c) political factors have historically been more influential in determining the amount of trade than available technologies.
 - (d) cultural clashes have recently reduced the amount of US trade compared to US trade in 1950.
 - (e) trade was a smaller part of the US and UK economies in 1995 than it was in 1950.
- 6 Most international trade today is classified as trade in
- (a) Agricultural products
 - (b) Services
 - (c) Manufactured products
 - (d) Dairy products
 - (e) Mineral products.
- 7 In contrast to 50 years ago, most exports from low and middle income countries are now classified as
- (a) Agricultural products.
 - (b) Mineral products.

- (c) Services.
 - (d) Dairy products.
 - (e) Manufactured products.
- 8 Approximately what percent of US imports occur through transactions conducted by a multinational corporation?
- (a) 5%
 - (b) 10%
 - (c) 25%
 - (d) 40%
 - (e) 60%
- 9 Outsourcing refers to the case in which
- (a) a firm exports out of a country rather than selling products within a country.
 - (b) a firm imports into a country rather than buying products from within a domestic country.
 - (c) consumers find out the source of where production occurs.
 - (d) a firm moves part of its business operations out of the domestic country.
 - (e) exports are promoted through subsidies and price supports.
- 10 Gross domestic product measures
- (a) the gross weight of products that are imported into a domestic country.
 - (b) the gross weight of products that are exported from a domestic country.
 - (c) the gross profits from all final goods and services produced in an economy.
 - (d) the total value of all final goods and services produced within an economy.
 - (e) the gross profits from products that are exported from a domestic country.
- 11 In the Ricardian model:
- (a) Trade will happen even if countries are identical.
 - (b) Differences in factor endowments give rise to trade.
 - (c) There is only one factor of production.
 - (d) There is only one industry in each country.
 - (e) Countries can run trade deficits and surpluses.
- 12 If Country A has a comparative advantage over Country B in producing shoes, it means that:
- (a) Labor productivity in the shoe industry in Country A is higher than in Country B.
 - (b) Country A is better endowed in the factors used in the production of shoes.
 - (c) Country B will never produce shoes if free trade is allowed.
 - (d) Country A produces shoes relatively more efficiently than Country B.

- 13 The Ricardian model exhibits gains from trade:
- (a) Only if each country has an absolute advantage in one of the industries.
 - (b) For both trading countries.
 - (c) Only for one of the trading countries.
 - (d) Only if countries specialize completely.
- 14 Country A has 5000 units of labor. It takes 50 units of labor to produce one computer and 1 unit to create a Web page. What is the opportunity cost of a Web page in terms of computers?
- (a) 50
 - (b) 0.0002
 - (c) 100
 - (d) 0.02
 - (e) 10
- 15 The opportunity cost of producing computers in terms of Web pages is 50 in Country A and is 10 in Country B. Based on the Ricardian model, what can we conclude about the pattern of trade?
- (a) Country A will export computers and import Web pages.
 - (b) We need to know what the relative price of computers in terms of web pages is to answer this question.
 - (c) We need to know what wages are to answer this question.
 - (d) Country A will export Web pages and import computers.
 - (e) Trade will not occur.
- 16 Which of the following is NOT an assumption in the Ricardian model?
- (a) Labor productivity in each country is fixed.
 - (b) Labor can freely move across countries.
 - (c) Each country has only one factor of production and its amount is fixed.
 - (d) Markets are perfectly competitive.
- 17 Country A has 100 units of labor and Country B has 200 units of labor. Both countries produce computers and Web pages. The unit labor requirements are given in the table below:
- | | Computers | Web pages |
|-----------|-----------|-----------|
| Country A | 50 | 1 |
| Country B | 100 | 1 |
- Assume free trade exists and that the relative price is such that both countries specialize completely in the industry in which they have a comparative advantage (neither country produces both goods). The supply of computers relative to Web pages will be:
- (a) (or 1/100)
 - (b) 0.013 (or 1/75)
 - (c) Impossible to determine without knowing the relative price of computers in terms of Web pages.

- (d) (or 1/50)
- 18 Country A and Country B produce computers and Web sites. The unit labor requirements are given in the table below:
- | | Computers | Web pages |
|-----------|-----------|-----------|
| Country A | 50 | 1 |
| Country B | 100 | 1 |
- At which of the following relative prices (computers in terms of Web sites) will Country B produce both goods under free trade?
- (a) 50
 (b) 75
 (c) 100
 (d) 25
 (e) Impossible to tell without the information on labor endowments in each country.
 (f) 0.01
- 19 In the Ricardian model, when two countries trade freely, the relative price of the goods they are trading is determined by:
- (a) Relative demand and relative supply for each trading country.
 (b) Relative demand and relative supply on the world market.
 (c) Relative opportunity costs in the two countries.
 (d) Relative wages.
- 20 Which of the following is true?
- (a) Trade only hurts countries with lower wages.
 (b) Countries that open up for trade see their wages rise over time relative to U.S. wages.
 (c) Trade necessarily hurts poorer countries.
- 21 The welfare effects of a quota depend to a considerable extent upon
- (a) Who has the quota license
 (b) The size of the quota
 (c) Elasticities of domestic demand and supply
 (d) All of the above
- 22 _____ are profits that accrue to whomever has the right to import the good that is restricted by the quota.
- (a) Quota license
 (b) Quota rents
 (c) Quota prices
 (d) None of the above

- 23 The home-country government can confiscate the revenue effect of an import quota if
- (a) Quota licenses are given to foreign exporting companies
 - (b) Quota licenses are auctioned to the highest-bidding importing company
 - (c) If quota licenses are given to domestic consumers of the good
 - (d) Both (a) and (c)
- 24 Governments around the world tend to auction quota licenses
- (a) Never
 - (b) Seldom
 - (c) Often
 - (e) Always
- 25 A(n) _____ is an example of a quota where foreigners hold quota licenses.
- (a) Export quota
 - (b) Embargo
 - (c) Auction quota
 - (d) Tariff quota
- 26 International dumping may involve
- (a) selling goods to foreigners at a price below that charged domestic consumers
 - (b) selling goods to foreigners at a price below the cost of production
 - (c) antidumping duties being levied on the imported, dumped goods
 - (d) all of the above
- 27 Nontariff trade barriers could include all of the following except
- (a) Domestic content laws
 - (b) Government procurement policies
 - (c) Health, safety, and environmental standards
 - (d) Antidumping/countervailing duties applied to imports
- 28 A production subsidy that is granted to a producer of an import-competing good
- (a) Does not require governmental taxes to finance it
 - (b) Yields the same deadweight welfare loss as an import tariff or import quota
 - (c) Has only a consumption effect deadweight loss
 - (d) Has only a protective effect deadweight loss
- 29 A tariff-rate quota is essentially a
- (a) Two-tier tariff applied to a country's imports
 - (b) Three-tier tariff applied to a country's imports
 - (c) Two-tier quota applied to a country's exports
 - (d) Three-tier quota applied to a country's exports

30. A tax of 20 cents per unit of imported cheese would be an example of a (an):
- (a) Compound tariff
 - (b) Effective tariff
 - (c) Ad valorem tariff
 - (d) Specific tariff
31. A sudden shift from import tariffs to free trade may induce short-term unemployment in:
- (a) Import-competing industries
 - (b) Industries that are only exporters
 - (c) Industries that sell domestically as well as export
 - (d) Industries that neither import nor export
32. The movement to free international trade is most likely to generate short-term unemployment in which industries?
- (a) Industries in which there are neither imports nor exports
 - (b) Import-competing industries
 - (c) Industries that sell to domestic and foreign buyers
 - (d) Industries that sell to only foreign buyers
33. Suppose the government grants a subsidy to domestic producers of an import-competing good. The subsidy tends to result in deadweight losses for the domestic economy in the form of the:
- (a) Consumption effect
 - (b) Redistribution effect
 - (c) Revenue effect
 - (d) Protective effect
34. Tariffs and quotas on imports tend to involve larger sacrifices in national welfare than would occur under domestic subsidies. This is because, *unlike* domestic subsidies, import tariffs and quotas:
- (a) Permit less efficient home production
 - (b) Distort choices for domestic consumers
 - (c) Result in higher tax rates for domestic residents
 - (d) Redistribute revenue from domestic producers to consumers
35. Suppose the government grants a subsidy to its export firms that permits them to charge *lower* prices on goods sold abroad. The export revenue of these firms would *rise* if the foreign demand is:
- (a) Elastic in response to the price reduction
 - (b) Inelastic in response to the price reduction
 - (c) Unit elastic in response to the price reduction
 - (d) None of the above

36. Because export subsidies tend to result in domestic exporters charging *lower* prices on their goods sold overseas, the home country's:
- (a) Export revenues will decrease
 - (b) Export revenues will rise
 - (c) Terms of trade will worsen
 - (d) Terms of trade will improve
37. Which trade restriction stipulates the percentage of a product's total value that must be produced domestically in order for that product to be sold domestically?
- (a) Import quota
 - (b) Orderly marketing agreement
 - (c) Local content requirement
 - (d) Government procurement policy
38. The imposition of a domestic content requirement by the United States would cause consumer surplus for Americans to:
- (a) Rise
 - (b) Fall
 - (c) Remain unchanged
 - (d) None of the above
39. Domestic content legislation applied to autos would tend to:
- (a) Support wage levels of American autoworkers
 - (b) Lower auto prices for American autoworkers
 - (c) Encourage American automakers to locate production overseas
 - (d) Increase profits of American auto companies
40. Compared to an import quota, an equivalent tariff may provide a *less* certain amount of protection for home producers since:
- (a) A tariff has no deadweight loss in terms of production and consumption
 - (b) Foreign firms may absorb the tariff by offering exports at lower prices
 - (c) Tariffs are effective only if home demand is perfectly elastic
 - (d) Quotas do not result in increases in the price of the imported good
41. A tariff:
- (a) Increases the volume of trade
 - (b) Reduces the volume of trade
 - (c) Has no effect on volume of trade
 - (d) (a) and (c) of above
42. A tariff is:
- (a) A restriction on the number of export firms
 - (b) Limit on the amount of imported goods

- (c) Tax and imports
 - (d) and (c) of above
43. It is drawback of protection:
- (a) Consumers have to pay higher prices
 - (b) Producerrrs get higher profits
 - (c) Quality of goods may be affected
 - (d) All of the above
44. It is drawback of free trade:
- (a) Prices of local goods rise
 - (b) Government loses income from custom duties
 - (c) National resources are underutilized
 - (d) (a) and (b) of above
45. Free traders maintain that an open economy is advantageous in that it provides all of the following except:
- (a) Increased competition for world producers
 - (b) A wider selection of products for consumers
 - (c) The utilization of the most efficient production methods
 - (d) Relatively high wage levels for all domestic workers
46. Recent pressures for protectionism in the United States have been motivated by all of the following except:
- (a) U.S. firms shipping component production overseas
 - (b) High profit levels for American corporations
 - (c) Sluggish rates of productivity growth in the United States
 - (d) High unemployment rates among American workers
47. A sudden shift from import tariffs to free trade may induce short-term unemployment in:
- (a) Import-competing industries
 - (b) Industries that are only exporters
 - (c) Industries that sell domestically as well as export
 - (d) Industries that neither import nor export
48. Which of the following statements is correct?
- (a) In a customs union, member nations apply a uniform external tariff
 - (b) in a free-trade area, member nations harmonize their monetary and fiscal policies

- (c) within a customs union there is unrestricted factor movement
 - (d) a customs union is a higher form of economic integration than a common market
49. A customs union that allows for the free movement of labor and capital among its member nations is called a:
- (a) preferential trade arrangement
 - (b) free-trade area
 - (c) common market
 - (d) all of the above
50. A trade-creating customs union is one where:
- (a) lower-cost imports from outside the customs union are replaced by higher-cost imports from a union member
 - (b) some domestic production in a member nation is replaced by lower-cost imports from another member nation
 - (c) trade among members increases but trade with nonmembers decreases
 - (d) trade among members decreases while trade with nonmembers increases
51. A trade-diverting customs union:
- (a) increases trade among union members and with nonmember nations
 - (b) reduces trade among union members and with nonmember nations
 - (c) increases trade among members but reduces trade with non-members
 - (d) reduces trade among union members but increases it with nonmembers
52. A trade-diverting customs union results in:
- (a) trade diversion only
 - (b) trade creation only
 - (c) both trade creation and trade diversion
 - (d) we cannot say
53. A trade-diverting customs union:
- (a) increases the welfare of member and nonmember nations
 - (b) reduces the welfare of member and nonmember nations
 - (c) increases the welfare of member nations but reduces that of nonmembers
 - (d) reduces the welfare of nonmembers and may increase or reduce that of members
54. A tariff:
- (a) Increases the volume of trade
 - (b) Reduces the volume of trade
 - (c) Has no effect on volume of trade

- (d) (a) and (c) of above
55. A tariff is:
- (a) A restriction on the number of export firms
 - (b) Limit on the amount of imported goods
 - (c) Tax and imports
 - (d) (b) and (c) of above
56. What would encourage trade between two countries:
- (a) Different tax system
 - (b) Frontier checks
 - (c) National currencies
 - (d) Reduced tariffs
57. In a free trade world in which no restrictions exist, international trade will lead to:
- (a) Reduced real living standard
 - (b) Decreased efficiency
 - (c) Increased efficiency
 - (d) Reduced real GDP
58. Govt. policy about exports and imports is called:
- (a) Monetary policy
 - (b) Fiscal policy
 - (c) Commercial policy
 - (d) Finance policy
59. International trade and domestic trade differ because of:
- (a) Trade restrictions
 - (b) Immobility of factors
 - (c) Different government policies
 - (d) All of the above
60. What would encourage trade between two countries?
- (a) Different tax system
 - (b) Quality control
 - (c) Reduced tariffs
 - (d) Fixing import quota
61. In the European Union:
- (a) All member countries have a single exchange rate
 - (b) All members set their own tariffs

- (c) There is a common tariff against non-members
- (d) All taxes are set the same

62. On the 1st January 1958, six countries signed the treaty establishing the European Economic Community (EEC), in turn establishing the foundations for the European Union. In which European capital was it signed in from which it also takes its name?

- (a) Athens
- (b) Brussels
- (c) Rome
- (d) Amsterdam

63. The European Union has grown to be one of the world's largest trading blocs and markets. What is the approximate size of the population of the EU?

- (a) 500 million people
- (b) 292 million people
- (c) 1.3 billion people
- (d) 127 million people

64. Which two institutions decide the Union's budget?

- (a) The Council of Ministers and the European Commission
- (b) The European Parliament and the European Central Bank
- (c) The Council of Ministers and the European Parliament
- (d) The European Central Bank and the European Commission

65. The European Union is one powerful global economic bloc. ASEAN is best described as being:

- (a) A free trade zone
- (b) A confederation of states
- (c) A customs union
- (d) A monetary union

66. Which of the following EU countries are sometimes referred to as the PIGS countries?

- (a) Portugal, Ireland, Greece, Spain
- (b) Poland, Italy, Germany, Slovenia
- (c) Poland, Ireland, Greece, Switzerland
- (d) Portugal, Italy, Greece, Slovenia

67. What is the main reason behind the introduction of the euro?

- (a) It promotes economic sovereignty
- (b) It can protect business trading from currency fluctuations
- (c) To allow the free movement of people
- (d) It was a branding exercise

68. Which of the following are exclusive EU competencies in relation to Member States?
- (a) Conservation of marine biological resources (common fisheries policies), common market policies, the customs union and monetary policy for Member States belonging to the Eurozone.
 - (b) The customs union, the environment, agriculture and consumer protection.
 - (c) Monetary policy for Member states belonging to the Eurozone, tourism, transport and industrial policy, EU regional Policy.
 - (d) The customs union, common commercial (trade) policies, education and culture.
69. A common or single market will have all of the following features except:
- (a) No internal trade barriers
 - (b) Common external tariff
 - (c) Factor and Asset mobility
 - (d) A common currency
70. Which of the options below is the only characteristic of a free trade area?
- (a) A common currency
 - (b) Common economic policy
 - (c) No internal trade barriers
 - (d) Common external tariff

Ans. (1)(c), (2)(e), (3)(d), (4)(d), (5)(c), (6)(c), (7)(e), (8)(d), (9)(d), (10)(d) (11)(c), (12)(d), (13)(b), (14)(d), (15)(d), (16)(b), (17)(a), (18)(c), (19)(b), (20)(b), (21)(d), (22)(b), (23)(b), (24)(b), (25)(d), (26)(d), (27)(d), (28)(d), (29)(a) (30)(d), (31)(a), (32)(b), (33)(d), (34)(b), (35)(a), (36)(c), (37)(c), (38)(b), (39)(c), (40)(d), (41)(b), (42)(d), (43)(b), (44)(a), (45)(a), (46)(c), (47)(b), (48)(c),(49)(c), (50)(d), 51(b), 52(c), 53(d), 54(c), 55(c), 56(d), 57(c), 58(d), 59(b), 60(a), (60)(a), 61(c), 62(c), 63(a), 64(c), 65(a), 66(a), 67(b), 68(a), 69(d), 70(c)

II Short Answer Type Questions:

- 1 Write short notes on:
- (a) self-sufficiency
 - (b) self-reliance
 - (c) export-led growth
 - (d) sustainable terms of trade
 - (e) fundamental disequilibrium, and
 - (f) market clearance
- 2 Write short notes on the following concepts:
- (a) Factor abundance and the criteria for its determination.

- (b) Factor-intensity of a product
 - (c) “Same Technology”.
 - (d) “Small Country”.
- 3 Discuss the concept of terms of trade in the context of (i) domestic trade, and (ii) international trade. How would you justify the multiplicity of meanings assigned to the concept?
 - 4 Distinguish the concept of “Terms of trade” as used in the theory of international trade from its common usage and from rate of exchange.
 - 5 Define the concept of net barter terms of trade. What are its limitations? What explains its widespread use?
 - 6 Write a short essay on the concept of gross barter terms of trade and highlight its limitations.
 - 7 Write a brief note on income terms of trade of a country and their relevance for a developing economy.
 - 8 Describe single factoral and double factoral terms of trade. Highlight their merits and demerits.
 - 9 Can terms of trade simultaneously improve for all trading countries? Give reasons for your answer.
 - 10 How are terms of trade of country determined? Inter alia, discuss the role of demand and supply elasticity of the trading countries for their imports and exports.
 - 11 Distinguish between current account and capital account in the balance of payments of a country. Discuss the impact of
 - (a) Inflation in the country
 - (b) Over valuation of the currency
 - (c) Foreign aid on the balance of payment of a country
 - 12 Write short notes on:
 - (a) Economies of scale
 - (b) Economic Integration
 - (c) Custom Union
 13. What is meant by Trade indifference curve?
 14. Explain briefly Ad valorem and specific import tariff
 15. What do you understand by cost of protection?
 16. Discuss the concepts of scientific tariff and mixing quotas.
 17. Differentiate between trade creation & trade diversion
 18. Distinguish between consumer surplus and producer surplus.
 - 19 Would a tariff imposed on US oil imports promote energy development and conservation for the united States?
 - 20 What methods do customs appraisers use to determine the values of commodity imports?
 21. What is meant by voluntary export restraints.
 22. Which is a more restrictive trade barrier: an import tariff or an equivalent import quota?

23. Which tends to result in a greater welfare loss for the home economy: (a) an import quota levied by the home government or (b) a voluntary export quota imposed by the foreign government?
24. Why might a tariff not affect a country's balance of trade?
25. Why does a tariff induced increase in employment in a given sector not necessarily increase aggregate employment in a country?
26. Why have tariff reductions been substantial over the years while reductions in non tariff barriers have been minimal?
27. Why is there an incentive for transshipment in a free trade area but not in a customs union or a common market?
28. Distinguish the different types of economic integration.
29. What is economic integration? What are the different forms?
30. What are the leading economic integrations in the world?
31. What is meant by trade creation and trade diversion?
32. What do you mean by Regional Trade Agreements?

III Long Answer Type Questions:

- 1 What is meant by equilibrium terms of trade? Discuss alternative interpretations of this concept.
- 2 Discuss the concept of reciprocal demand and its role in determination of equilibrium terms of trade.
- 3 "The policy of improving terms of trade at the cost of a nation's economic welfare is questionable". Discuss.
- 4 Elaborate the view that terms of trade should be optimized rather than blindly improved. Write a short essay on the concept and criteria of optimization of terms of trade.
- 5 How would you explain the fact that terms of trade of developing countries have a long term tendency to deteriorate?
- 6 Write a note on the short term and long term factors affecting terms of trade of a country.
- 7 Outline the salient features and contents of the Heckscher-Ohlin Theory of International Trade.
- 8 Can a small country like Mauritius be more capital abundant than the USA? Explain with the help of diagrams.
- 9 Elaborate the statement that factor intensity of a product is closely linked with the factor prices and technological possibilities.
- 10 "Heckscher-Ohlin Theory" has the merit of explaining the reasons for differences in factor productivity between countries". Assess this claim critically.
- 11 What are the assumptions of the "Modern" (H-O) trade theory? To what extent do they render it unrealistic?

- 12 What is the prediction of H-O theory regarding the direction of trade between two countries? To what extent can it be relied upon?
- 13 Elaborate the concept of consumer tastes and preferences. In what manner do they influence the pattern of trade between two countries? Use diagrams.
- 14 Explain the meaning of equal and unequal tastes. Do taste differences affect direction and volume of trade? If so, how? Use diagrams.
- 15 Use diagrams to show that sufficient difference in tastes in the two nations can possibly neutralize the difference in their factor endowments, resulting in no trade.
- 16 Using the logic of difference in tastes, show that it is possible for a labour-abundant country to import a labour-intensive commodity and export a capital-intensive one.
- 17 Identify alternative interpretations of the concept of factor-price equalization. Explain the process by which it is achieved.
- 18 “International trade is a substitute for international mobility of factors of production.” Elaborate.
- 19 Critically evaluate the “modern” theory of international trade.
- 20 “Heckscher-Ohlin theory suffers from the fact that predicated trade flow cannot be achieved in the short run while factor endowments are sure to undergo a change in the long run.” Evaluate this statement.
- 21 “H-O theory suffers from an inherent contradiction. It has a short run static analytical framework. But, by definition, productive resources cannot shift between alternative employments in the short run to take advantage of difference in factor-abundance.” Discuss.
- 22 Do you think H-O theory is superior to the classical theory of international trade? Give reasons for your answer.
- 23 It is claimed that Heckscher-Ohlin theory is nothing but an extension of the classical theory of trade. Do you agree? Give reasons for your answer.
- 24 Write a lucid note on the relationship between international trade and distribution of income in a country.
- 25 Write a lucid note on the relationship between international trade and distribution of income in a country.
- 26 “Income distribution within a country results from a complex interaction of several causal forces, and it is not possible to predict an outcome with reasonable accuracy.” Elaborate.
- 27 Write a short note on the need for developing a theory of international trade beyond what Heckscher-Ohlin theory was able to accomplish.
- 28 State and elaborate Leontief Paradox. In what way does it negate the H-O theory?
- 29 Assess the inherent flaws in the reasoning upon which Leontief Paradox is based. To what extent and in what manner can the Paradox be resolved?
- 30 What is meant by a reversal of factor-intensity? Why should it take place at all?
- 31 Provide a graphic measure of factor-intensity of a product. Under what conditions can factor-intensity reversal take place? Use diagrams to illustrate your answer.
- 32 Graphically illustrate the concept and measurements of $ES_{L,K}$. In what way is it related to the possibility of factor-intensity reversal?

- 33 Show that when economies of two countries are identical in every respect and both goods X and Y obey the law of increasing returns to scale, they can still specialize in one commodity each and have gainful trade.
- 34 In the above question, show that post-trade prices do not differ from autarky prices and that we get the same end results irrespective of which country specializes in commodity X and which in commodity Y.
- 35 Write a short note on the distinction between inter-industry and intra-industry trade. Highlight the forces contributing to growing intra-industry trade.
- 36 Using the concept of product differentiation, analyze the claim that these days, a major portion of international trade is an intra-industry one.
- 37 Critically examine the claim that “product differentiation promotes international trade by feeding demonstration effect and consumerism”.
- 38 Write a note on technological innovations and technological gaps between trading economies.
- 39 What do you understand by the concept of technological gap model of trade. In what way is it related to the product life cycle hypothesis of trade?
- 40 Comment on the view that, in spite of several attempts in the past, we do not have a comprehensive and unified theory of international trade. Give reasons for your answer.
- 41 Explain the effects of tariff on the terms of trade and the domestic price ratio
- 42 What is meant by regional economic cooperation? How far are these regional economic groupings compatible with free trade policy?
- 43 By pushing forward the scope for specialization and division of labour, International trade has contributed to the high standards of living for the citizens of all nations. Do you agree with the statement? Critically discuss.
- 44 Suppose that one country subsidizes its exports and the other country imposes a ‘countervailing tariff’ that offsets its effects, so that in the end relative prices in the second country are unchanged. What happens to the terms of trade? What about welfare in the two countries?
- 45 Explain the dynamic effects of custom union. To what extent these are realized by European Union?
46. What is a customs union? Does the formation of a customs union necessarily raise the welfare of a country? Answer your question by using partial & general equilibrium framework of analysis.
47. Explain the effects of tariff on the terms of trade and the domestic price ratio
48. What is meant by regional economic cooperation? How far are these regional economic groupings compatible with the free trade policy.
49. What are optimum tariffs? What factors determine the optimum tariff level for a country? Discuss.
50. Define custom unions. When will custom unions increase welfare? Compare custom unions with a non preferential trade policy.
51. What are the tariff and non-tariff barriers in International Trade? How these barriers have become bridges with the coming of WTO?
52. (a) Explain the partial equilibrium analysis of trade policy.
(b) Explain the income-absorption approach

53. (a) Explain the redistribution effect of a tariff with suitable diagram
(b) What are the methods of correcting disequilibrium in the balance of payments?
54. What are Tariff and Non Tariff Barriers in International Trade? How these barriers have become bridges with the coming of WTO?
55. Discuss the aims of regional grouping resulting in various types of international economic of orders. Give examples of various types of international grouping
56. Explain factor price equalization theorem with the help of an example
57. Explain the redistribution effects of a tariff with suitable diagram.
58. Describe a specific tariff, an ad valorem tariff, and a compound tariff. What are the advantages and disadvantages of each?
59. A nation that imposes tariffs on imported goods may find its welfare improving should the tariff result in a favorable shift in the terms of trade. Explain.
60. Under what conditions does a nominal tariff applied to an import product overstate or understate the actual, or effective, production afforded by the nominal tariff?
61. Could it ever be in a developing nation's best interest in the long run to encourage advanced nations to impose higher tariffs for their primary product exports? Why or why not?
62. Although tariffs may improve the welfare of a single nation, the world's welfare may decline. Under what conditions would this be true?
63. What is the aim of new International Economic order? Does it work towards a fair distribution of world resources? Discuss.
64. "Non tariff barriers are more difficult to overcome" Critically analyze the statement.
65. "EU was one of the best example of regional economic integration but it couldn't stand the test of time" ritually analyze the statement.
66. Less-developed nations sometime argue that industrialized nations' tariff Structure discourage the less-developed nations from undergoing industrialization. Explain under what conditions would this be true?
67. In the past two decades, non-tariff barriers have gained in importance as protectionist devices. What are major non-tariff barriers?
68. What is the purpose of economic sanctions? What problems do they pose for the nations initiating the sanctions? When the sanctions are most successful in acquainting their goals?
69. Explain various dynamic benefits that nations forming a customs union are likely to receive. How do they arise? How large are they?
70. What is protection cost, or deadweight loss, of a tariff? How is this measured? Explain consumption, production and redistribution effects of a tariff?
71. The terms of trade for a large country improve with every successive increase in a tariff, so why is the optimum tariff rate for the country not infinite, even assuming no retaliation by a trading partner?

72. If all interventions in agriculture were removed, what would happen to food prices? To the income of farmers? To world welfare? Might your answer be different for some developing countries than for developed countries.
73. How would you explain reservations in the United States about the implementation of NAFTA? Do you think that NAFTA is a “good thing” or not? Explain.
74. "A free trade area, in which there remains considerable trade between its members and the rest-of-the-world, may find their separate trade policies difficult to maintain. The next logical step for a free trade area is a common market." Explain.
75. Why do nations often pursue regional trading agreements despite the existence of the World Trading Organization (WTO) that actively promotes free world trade?
76. Other than the standard trade diversion argument, what other aspect of a customs union could lead to a misallocation of resources and less world trade? Consider the power of groups of nations versus individual nations to affect the terms of trade.
77. Explain the structure of the European Union and its implications for firms within and outside Europe
78. What is meant by trade creation and trade diversion? What are the static welfare effects of a trade-creating and trade-diverting customs union?
79. What dynamic benefits are the nations forming a customs union likely to receive? How do they arise? How large are they?

UNIT – III

I Test Your Skills:

(a) Multiple Choice Questions:

1. On the balance-of-payments statements, merchandise imports are classified in the:
 - (a) Current account
 - (b) Capital account
 - (c) Unilateral transfer account
 - (d) Official settlements account
2. The balance of international indebtedness is a record of a country’s international:
 - (a) Investment position over a period of time
 - (b) Investment position at a fixed point in time
 - (c) Trade position over a period of time
 - (d) Trade position at a fixed point in time
3. Which balance-of-payments item does *not* directly enter into the calculation of the U.S. gross domestic product?
 - (a) Merchandise imports
 - (b) Shipping and transportation receipts
 - (c) Direct foreign investment
 - (d) Service exports

4. Which of the following is considered a capital *inflow*?
- (a) A sale of U.S. financial assets to a foreign buyer
 - (b) A loan from a U.S. bank to a foreign borrower
 - (c) A purchase of foreign financial assets by a U.S. buyer
 - (d) A U.S. citizen's repayment of a loan from a foreign bank
5. Which of the following would call for *inpayments* to the United States?
- (a) American imports of German steel
 - (b) Gold flowing out of the United States
 - (c) American unilateral transfers to less-developed countries
 - (d) American firms selling insurance to British shipping companies
6. In a country's balance of payments, which of the following transactions are *debits*?
- (a) Domestic bank balances owned by foreigners are decreased
 - (b) Foreign bank balances owned by domestic residents are decreased
 - (c) Assets owned by domestic residents are sold to nonresidents
 - (d) Securities are sold by domestic residents to nonresidents
7. Which of the following is classified as a *credit* in the U.S. balance of payments?
- (a) U.S. exports
 - (b) U.S. gifts to other countries
 - (c) A flow of gold out of the U.S.
 - (d) Foreign loans made by U.S. companies
8. What is "immiserizing growth"?
- (a) Export-biased growth that worsens terms of trade so that a country is worse off as a result.
 - (b) The specialization of low-income countries in production of low-wage products.
 - (c) Trade that hurts the poorest group of people.
 - (d) Improvement in a country's terms of trade at the expense of other countries.
9. What is the "transfer problem"?
- (a) The fact that international transfers affect terms of trade when they are not taken into account.
 - (b) Rich countries do not transfer a sufficient amount of money to poor countries.
 - (c) Negative effects on a country that transfers money to others.
 - (d) The severe indebtedness of some low-income countries.
 - (e) The inappropriate application of money by the recipient of a transfer.

10. Unlike the balance of payments, the balance of international indebtedness indicates the international:
- (a) Investment position of a country at a given moment in time
 - (b) Investment position of a country over a one-year period
 - (c) Trade position of a country at a given moment in time
 - (d) Trade position of a country over a one-year period
11. Which of the following indicates the international investment position of a country at a given moment in time?
- (a) The balance of payments
 - (b) The capital account of the balance of payments
 - (c) The current account of the balance of payments
 - (d) The balance of international indebtedness
12. Concerning the U.S. balance of payments, which account is defined in essentially the same way as the net export of goods and services, which comprises part of the country's gross domestic product?
- (a) Merchandise trade account
 - (b) Goods and services account
 - (c) Current account
 - (d) Capital account
13. If an American receives dividends from the shares of stock she or he owns in Toyota, Inc., a Japanese firm, the transaction would be recorded on the U.S. balance of payments as a:
- (a) Capital account debit
 - (b) Capital account credit
 - (c) Current account debit
 - (d) Current account credit
14. If the United States government sells military hardware to Saudi Arabia, the transaction would be recorded on the U.S. balance of payments as a:
- (a) Current account debit
 - (b) Current account credit
 - (c) Capital account debit
 - (d) Capital account credit
15. The U.S. balance of trade is determined by:
- (a) Exchange rates
 - (b) Growth of economies overseas
 - (c) Relative prices in world markets
 - (d) All of the above

16. U.S. military aid granted to foreign countries is entered in the:
- (a) Merchandise trade account
 - (b) Capital account
 - (c) Current account
 - (d) Official settlements account
17. If the U.S. faces a balance-of-payments deficit on the current account, it must run a *surplus* on:
- (a) The official settlements account
 - (b) The capital account
 - (c) Either the official settlements account or the capital account
 - (d) Both the official settlements account and the capital account
18. The current account of the U.S. balance of payments does *not* include:
- (a) Investment income
 - (b) Merchandise exports and imports
 - (c) The sale of securities to foreigners
 - (d) Unilateral transfers
19. The U.S. has a balance of *trade deficit* when its:
- (a) Merchandise exports exceed its merchandise imports
 - (b) Merchandise imports exceed its merchandise exports
 - (c) Goods and services exports exceed its goods and services imports
 - (d) Goods and services imports exceed its goods and services exports
20. The value to American residents of income earned from overseas investments shows up in which account in the U.S. balance of payments?
- (a) Current account
 - (b) Trade account
 - (c) Unilateral transfers account
 - (d) Capital account
21. What would be the effects of an export subsidy on oil imposed by Russia?
- (a) Relative world supply of oil rises and relative world demand falls.
 - (b) Relative world supply of oil falls and relative world demand rises.
 - (c) Relative world supply of and relative world demand for oil rise.
 - (d) Relative world supply of and relative world demand for oil fall.
22. What is the Metzler paradox?
- (a) An export subsidy can lead to an increase in the internal price of the subsidized good.
 - (b) It is the same as immiserizing growth.
 - (c) A tariff on imports can lead to a decline in the internal price of the good.

- (d) A transfer recipient might be hurt as a result of the transfer because of its terms-of-trade effect.
23. A country that is a net international debtor initially experiences:
- (a) An augmented savings pool available to finance domestic spending
 - (b) A higher interest rate, which leads to lower domestic investment
 - (c) A loss of funds to trading partners overseas
 - (d) A decrease in its services exports to other countries
24. Credit (+) items in the balance of payments correspond to anything that:
- (a) Involves receipts from foreigners
 - (b) Involves payments to foreigners
 - (c) Decreases the domestic money supply
 - (d) Increases the demand for foreign exchange
25. Debt (–) items in the balance of payments correspond to anything that:
- (a) Involves receipts from foreigners
 - (b) Involves payments to foreigners
 - (c) Increases the domestic money supply
 - (d) Decreases the demand for foreign exchange
26. When *all* of the debit or credit items in the balance of payments are combined:
- (a) Merchandise imports equal merchandise exports
 - (b) Capital imports equal capital exports
 - (c) Services exports equal services imports
 - (d) The total surplus or deficit equals zero
27. In the balance of payments, the statistical discrepancy is used to:
- (a) Ensure that the sum of all debits matches the sum of all credits
 - (b) Ensure that trade imports equal the value of trade exports
 - (c) Obtain an accurate account of a balance-of-payments deficit
 - (d) Obtain an accurate account of a balance-of-payments surplus
28. All of the following are credit items in the balance of payments, *except*:
- (a) Investment inflows
 - (b) Merchandise exports
 - (c) Payments for American services to foreigners
 - (d) Private gifts to foreign residents
29. All of the following are debit items in the balance of payments, *except*:
- (a) Capital outflows
 - (b) Merchandise exports
 - (c) Private gifts to foreigners
 - (d) Foreign aid granted to other nations

- 30 If the central bank purchases assets, it will result in:
- (a) An increase in the central bank's net worth.
 - (b) A decline in the central bank's net worth.
 - (c) An increase in the money supply.
 - (d) A decline in the money supply.
- 31 If there is a decline in output, to keep the exchange rate fixed, the central bank has to:
- (a) Sell domestic assets.
 - (b) Purchase foreign assets.
 - (c) Sell foreign assets.
 - (d) Purchase domestic assets.
- 32 What is the effect of an increase in the money supply under fixed exchange rates and perfect asset substitutability in the short run?
- (a) A decline in output and no change interest rates.
 - (b) An increase in output and interest rates.
 - (c) An increase in output and no change in interest rates.
 - (d) A decline in output and interest rates.
 - (e) None of the above.
- 33 What is the effect of an increase in taxes under fixed exchange rates and perfect asset substitutability in the short run?
- (a) A decline in output and no change in interest rates.
 - (b) A decline in output and interest rates.
 - (c) An increase in output and no change in interest rates.
 - (d) An increase in output and interest rates.
 - (e) None of the above.
- 34 What is the effect of a currency devaluation under fixed exchange rates in the short run?
- (a) A decline in output.
 - (b) A decline in foreign reserves.
 - (c) An increase in exports.
 - (d) An increase in imports.

35. Reducing a current account deficit requires a country to:
- (a) Increase the government's deficit and increase private investment relative to saving
 - (b) Increase the government's deficit and decrease private investment relative to saving
 - (c) Decrease the government's deficit increase private investment relative to saving
 - (d) Decrease the government's deficit and decrease private investment relative to saving
36. Reducing a current account surplus requires a country to:
- (a) Increase the government's deficit and increase private investment relative to saving
 - (b) Increase the government's deficit and decrease private investment relative to saving
 - (c) Decrease the government's deficit and increase private investment relative to saving
 - (d) Decrease the government's deficit and decrease private investment relative to saving
37. Concerning a country's business cycle, rapid growth of production and employment is commonly associated with:
- (a) Large or growing trade deficits and current account deficits
 - (b) Large or growing trade deficits and current account surpluses
 - (c) Small or shrinking trade deficits and current account deficits
 - (d) Small or shrinking trade deficits and current account surpluses
38. The burden of a current account deficit would be the *least* if a nation uses what it borrows to finance:
- (a) Unemployment compensation benefits
 - (b) Social Security benefits
 - (c) Expenditures on food and recreation
 - (d) Investment on plant and equipment
39. On the balance-of-payments statements, merchandise imports are classified in the:
- (a) Current account
 - (b) Capital account
 - (c) Unilateral transfer account
 - (d) Official settlements account
40. The balance of international indebtedness is a record of a country's international:
- (a) Investment position over a period of time
 - (b) Investment position at a fixed point in time
 - (c) Trade position over a period of time
 - (d) Trade position at a fixed point in time

41. A major difference between the spot market and the forward market is that the spot market deals with:
- (a) The immediate delivery of currencies
 - (b) The merchandise trade account
 - (c) Currencies traded for future delivery
 - (d) Hedging of international currency risks
42. In a country's balance of payments, which of the following transactions are debits?
- (a) Domestic bank balances owned by foreigners are decreased
 - (b) Foreign bank balances owned by domestic residents are decreased
 - (c) Assets owned by domestic residents are sold to nonresidents
 - (d) Securities are sold by domestic residents to nonresidents
43. When all of the debit or credit items in the balance of payments are combined:
- (a) Merchandise imports equal merchandise exports
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 - (c) Services exports equal services imports
 - (d) The total surplus or deficit equals zero
44. All of the following are credit items in the balance of payments, except:
- (a) Investment inflows
 - (b) Merchandise exports
 - (c) Payments for American services to foreigners
 - (d) Private gifts to foreign residents
45. All of the following are debit items in the balance of payments, except:
- (a) Capital outflows
 - (b) Merchandise exports
 - (c) Private gifts to foreigners
 - (d) Foreign aid granted to other nations
46. The relationship between the exchange rate and the prices of tradable goods is known as the:
- (a) Purchasing-power-parity theory
 - (b) Asset-markets theory
 - (c) Monetary theory
 - (d) Balance-of-payments theory
47. Low real interest rates in the United States tend to:
- (a) Decrease the demand for dollars, causing the dollar to depreciate
 - (b) Decrease the demand for dollars, causing the dollar to appreciate

- (c) Increase the demand for dollars, causing the dollar to depreciate
 - (d) Increase the demand for dollars, causing the dollar to appreciate
48. Assume that the United States faces an 8 percent inflation rate while no (zero) inflation exists in Japan. According to the purchasing-power-parity theory, the dollar would be expected to:
- (a) Appreciate by 8 percent against the yen
 - (b) Depreciate by 8 percent against the yen
 - (c) Remain at its existing exchange rate
 - (d) None of the above
49. Suppose Mexico and the United States were the only two countries in the world. There exists an excess supply of pesos on the foreign exchange market. This suggests that:
- (a) Mexico's current account is in surplus
 - (b) Mexico's current account is in deficit
 - (c) The U.S. current account is in deficit
 - (d) The U.S. current account is in equilibrium
50. If Canada runs a current account surplus and exchange rates are floating:
- (a) The value of other currencies will rise relative to the dollar
 - (b) The dollar will depreciate relative to other currencies
 - (c) The price of foreign goods will become cheaper for Canadians
 - (d) The price of foreign goods will rise for Canadians
51. Gold standard means:
- (a) Currency of the country is made of gold
 - (b) Paper currency is not used
 - (c) Currency of the country is freely convertible into gold
 - (d) (a) & (c) of above
52. If a country decreases the external value of its currency, it will affect:
- (a) Volume of exports
 - (b) Volume of imports
 - (c) General price level
 - (d) All of the above
53. Rich countries have deficit in their balance of payments:
- (a) Sometimes
 - (b) Never

- (c) Alternate years
 - (d) Always
54. Balance of payments means:
- (a) The balance of receipts and payments of all banks
 - (b) The balance of receipts and payments of State Bank
 - (c) The balance of receipts and payments of foreign exchange by a country
 - (d) The balance of govt. receipts and payments
55. Assume a two-country world: Country A and Country B. Which of the following is correct about purchasing power parity (PPP) as related to these two countries?
- (a) If Country A's inflation rate exceeds Country B's inflation rate, Country A's currency will weaken.
 - (b) If Country A's interest rate exceeds Country B's inflation rate, Country A's currency will weaken.
 - (c) If Country A's interest rate exceeds Country B's inflation rate, Country A's currency will strengthen.
 - (d) If Country B's inflation rate exceeds Country A's inflation rate, Country A's currency will weaken.
56. The international Fisher effect (IFE) suggests that:
- (a) a home currency will depreciate if the current home interest rate exceeds the current foreign interest rate.
 - (b) a home currency will appreciate if the current home interest rate exceeds the current foreign interest rate.
 - (c) a home currency will appreciate if the current home inflation rate exceeds the current foreign inflation rate.
 - (d) a home currency will depreciate if the current home inflation rate exceeds the current foreign inflation rate.

57. According to the IFE, if British interest rates exceed U.S. interest rates:
- the British pound's value will remain constant.
 - the British pound will depreciate against the dollar.
 - the British inflation rate will decrease.
 - the forward rate of the British pound will contain a premium.
 - today's forward rate of the British pound will equal today's spot rate.
58. If interest rates on the euro are consistently below U.S. interest rates, then for the international Fisher effect (IFE) to hold:
- the value of the euro would often appreciate against the dollar.
 - the value of the euro would often depreciate against the dollar.
 - the value of the euro would remain constant most of the time.
 - the value of the euro would appreciate in some periods and depreciate in other periods, but on average have a zero rate of appreciation.
59. If interest rate parity holds, then the one-year forward rate of a currency will _____ the predicted spot rate of the currency in one year according to the international Fisher effect.
- greater than
 - less than
 - equal to
 - answer is dependent on whether the forward rate has a discount or premium
60. You have an opportunity to invest in Australia at an interest rate of 8%. Moreover, you expect the Australian dollar (A\$) to appreciate by 2%. Your effective return from this investment is:
- 8.00%.
 - 10.16%.
 - 6.00%.
 - 5.88%.
61. The balance of payments equals:
- The difference between household spending and income
 - The difference between government spending and income
 - A measure of the value of economic transactions between residents of a country and the rest of the world
 - The difference between inflation and unemployment
62. If there were a balance of payments deficit then in a floating exchange rate system:
- The external value of the currency would tend to fall
 - The external value of the currency would tend to rise
 - The injections from trade are greater than the withdrawals
 - Aggregate demand is increasing

63. If the value of the pound in other currencies is strong, then other things being equal:
- (a) The price of UK products abroad in foreign currency will fall
 - (b) The price of UK products abroad in foreign currency will rise
 - (c) The price of UK products in the UK will rise
 - (d) The price of UK products in the UK will fall
64. If the value of the pound in terms of other currencies rises:
- (a) The spending on UK exports in pounds must rise
 - (b) The spending on UK exports in foreign currency will rise if demand is price elastic
 - (c) The demand for UK exports will rise
 - (d) The spending on UK exports in foreign currency will fall if demand for UK exports is price elastic
65. The supply of pounds to the currency market will be upward sloping if:
- (a) The demand for UK exports is price elastic
 - (b) The demand for UK exports is price inelastic
 - (c) The demand for imports into the UK is price elastic
 - (d) The demand for imports into the UK is price inelastic
66. A fall in the value of the pound is likely to decrease spending on imports if:
- (a) The price elasticity of demand for imports is price elastic
 - (b) The price elasticity of demand for imports is price inelastic
 - (c) The price elasticity of demand for imports has a unit price elasticity
 - (d) The price elasticity of demand for exports is price elastic
67. If the exchange rate is above the equilibrium level then in a floating exchange rate system:
- (a) There is excess demand and the exchange rate should fall
 - (b) There is excess supply and the exchange rate should fall
 - (c) There is excess demand and the exchange rate should rise
 - (d) There is excess supply and the exchange rate should rise
68. If the exchange rate is below the equilibrium level then in a floating exchange rate system:
- (a) There is excess demand and the exchange rate should fall
 - (b) There is excess supply and the exchange rate should fall
 - (c) There is excess demand and the exchange rate should rise
 - (d) There is excess supply and the exchange rate should rise
69. A depreciation of a currency occurs when:
- (a) The value of the currency falls

- (b) The value of the currency increases
- (c) Inflation falls
- (d) The balance of payments improves

70. An appreciation of the currency is likely to occur if:

- (a) Domestic interest rates fall
- (b) There is an increase in demand for imports
- (c) There is an increase in demand for exports
- (d) There is an increase in the balance of payments deficit

Ans. (1)(a), (2)(b), (3)(c), (4)(a), (5)(d), (6)(a), (7)(a), (8)(a), (9)(a), (10)(a), (11)(d), (12)(b), (13)(d), (14)(b), (15)(d), (16)(c), (17)(c), (18)(c), (19)(b), (20)(a), (21)(a), (22)(c), (23)(a), (24)(a), (25)(b), (26)(d), (27)(a), (28)(d), (29)(b), (30)(c), (31)(c), (32)(e), (33)(c), (34)(c), 35(d), 36(a), 37(a), 38(d), 39(a), 40(b), 41(a), 42(a), 43(d), 44(d), 45(b), 46(a), 47(a), 48(b), 49(b), 50(c), 51(d), 52(d), 53(a), 54(c), 55(a), 56(a), 57(b), 58(a), 59(c), 60(b), 61(c), 62(a), 63(b), 64(d), 65(c), 66(a), 67(b), 68(c), 69(a), 70(c)

II Short Answer Type Questions:

- 1 Define the concept of rate of exchange of a currency with appropriate numerical examples. In what way is it related to the regime of monetary standard?
- 2 Distinguish between different monetary standards and the implications of this distinction for the behaviour of exchange rates between currencies.
- 3 What is meant by the terms “foreign exchange” and “foreign exchange reserves”? Are balances held by a country in SDRs included in its foreign exchange reserves?
- 4 Write a brief note on SDR as a unit of account. How is its exchange rate determined?
- 5 When is rate of exchange of a currency said to be in equilibrium? Relate this concept to those of “fundamental disequilibrium” and “stability of exchange rate”.
- 6 Why are faced with a plethora of theories explaining the determination of exchange rate of a currency? Highlight, in your answer, the evolution and growing complexity of the foreign exchange market.
- 7 Briefly describe the concept of equilibrium rate of exchange in the context of (a) mint parity approach, (b) demand and supply approach, and (c) balance of payments approach. Use numerical examples.
- 8 Critically evaluate the balance of payments theory of determination of exchange rate.
- 9 “Purchasing Power Parity Theory provides the real basis of the long term behaviour of rate of exchanges of a currency”. Critically evaluate this claim.
- 10 Write Short notes on:
 - (a) Foreign Exchange
 - (b) Balance of payment theory
 - (c) FEMA
11. Write a short note on Purchasing Power Parity theory.

12. Distinguish between current account & capital account in the balance of payments of a country.
13. Discuss the Standard Trade Model for a country.
14. How does inflation as well as overvaluation of the currency in an economy affect its capital account & current account in the balance of payments?
15. Does foreign aid make any impact on balance of payments of a country? Discuss.
16. Explain the income absorption approach.
17. What is meant by foreign exchange market?
18. What is meant by the Forward market?
19. How forward market differs from the spot market?
20. What explains the relation between the spot rate and forward rate?
21. What is meant by arbitrage in currency?
22. Explain in brief different Theories of exchange rate determination
23. Write on note on Impact of recent demonetization on exchange rate of rupee
24. What is J-curve effect?
25. If the Balance of Payment of a country is adverse, then which institution will help that country?
26. List two items of capital account of BOP
27. What do you mean by disequilibrium in BOP?
28. Do Arbitrage Opportunities Exist in the Foreign Exchange Market?
29. Distinguish between the spot and forward markets

III Long Answer Type Questions:

1. Write a detailed note on the concept of convertibility of a currency. Inter alia, distinguish between current account and capital account convertibility.
2. Describe the meaning and rationale of intervention by monetary authorities in foreign exchange market.
3. Write a short note on the concept of vehicle currency.
4. What is exchange control? Critically evaluate its usefulness for an open economy.
5. Discuss the nature, functions and increasing importance of the foreign exchange market. Do you think it is always helpful to the participating economies? Give reasons for your answer.
6. Write a detailed note on the concept of flexibility of exchange rate and highlight its features.
7. "We have several shades of a flexible exchange rate", Elaborate the statement.
8. Discuss the concept of a free and floating rate of exchange and highlight its main features.
9. Write a lucid note on the arguments for and against a fixed rate of exchange.
10. What arguments would you put forth for and against a floating rate of exchange.
11. Since BOP account of a country is an account, what is the economic significance of studying it?
12. Define and elaborate the concept of BOP, highlighting its salient features and parts.
13. Distinguish between BOT and BOP and bring out policy implications of this distinction.
14. What is meant by current account of the BOP? Distinguish it from the capital account.

15. How would you reconcile the existence of a deficit or a surplus in BOP with it being always in balance? Give reasons for your answer.
16. "A surplus or a deficit in BOP does not mean that it is also in disequilibrium", Elaborate on this statement. Also highlight the concept of "fundamental disequilibrium".
17. Distinguish between autonomous and accommodating transactions of a BOP account and highlight their economic significance.
18. Write a note on the concept of BOP equilibrium and highlight its economic implications.
19. "A surplus balance of payments can co-exist with a deteriorating economic condition of a country", How?
20. Write a short note on the twin concepts of BOP settlement and BOP adjustment.
21. With the help of BOP data published in the latest Economic Survey, study the overall BOP position of India for the last few years and the corresponding accommodating transactions.
22. Explain the importance and effects of exchange clearing agreement and multiple exchange rates as methods of exchange control.
23. What are the objectives and methods of exchange control?
24. Define foreign exchange rate. Explain the structure of the foreign exchange market. How equilibrium is determined in foreign exchange markets?
25. If balance of payments must always balance, then what is the meaning of imbalance? Distinguish between imbalance & disequilibrium, and balance of payments settlement and adjustment.
26. What do you mean by deficit & surplus in BOP? Is deficit necessarily bad & surplus necessarily good?
27. Can you think of reasons why a government might willingly sacrifice some of its abilities to use monetary policy so that it can have more stable exchange rates?
28. Explain why temporary & permanent fiscal expansion does not have different effects under fixed exchange rates, as they do under floating?
29. What is balance of payment? How is it different from the balance of trade? What accounts are included in the BOP account of a country? How there exists an equilibrium in BOP account.
30. (a) Explain factor-price equalization theory with the help of an example.
(b) Write note in brief on Capital movements and its effect on trade.
31. Argue for & against flexible exchange rates?
32. Distinguish between fixed & flexible exchange rates & the way these rates are quoted in foreign.
33. What is Balance of Payment? How it is different from the balance of Trade? What accounts are included in BOP Account of a country? How there exists an equilibrium in BOP Account?
34. Write note in brief on capital movement and its effect on trade.
35. Explain the partial equilibrium analysis of trade policy.
36. Explain the redistribution effects of a tariff with suitable diagram.
37. What are the methods of correcting disequilibrium in the balance of payments?
38. Who are the participants in the forward exchange market? What advantages does this market afford these participants?
39. The supply and demand for foreign exchange are considered to be derived schedules. Explain.
40. Explain why exchange rate quotations stated in different financial centers tend to be consistent with one another.

41. What is the strategy of speculating in the forward market? In what other ways can one speculate on exchange rate changes?
42. How do exchange rate fluctuations impact the foreign trade? Enumerate your answer with suitable examples.
43. Critically analyze the advantages and disadvantages of the fixed and Flexible exchange rate systems.
44. Explain the term 'current account convertibility'. When will 'capital account convertibility' in India be turn out to be worthwhile? What are the most important factors which influence capital account convertibility?
45. Briefly explain the impact of Macro-economic factors on exchange rates. What is the need to control exchange rates by central bank? Quote two strategies adopted by RBI recently to protect the declining Rupee.
46. How does the analysis of foreign exchange market stability relate to the impact of depreciation on the current account balance?
47. Explain why producers and consumers respond differently to exchange rate changes in the short run relative to the long run.
48. How would a decrease in the demand for foreign exchange affect a country's supply of gold under a gold standard? Why?
49. Distinguish between Autonomous and Accommodating transactions of Balance of Payment. Also explain the concept of Balance of Payment deficit in this context.
50. What is the relationship between debt and structural adjustment?
51. Briefly explain how exchange rate regimes evolved from the gold standard system to the current eclectic system where they fall into a spectrum ranging from fixed exchange rate to freely floating exchange rates. In your explanation, identify critical endogenous and exogenous factors that led to the collapse of each particular system.
52. Is there any ideal exchange rate regime?
53. Does the Exchange Rate Regime Matter for Inflation and Growth?

UNIT – IV

I Test Your Skills:

(a) Multiple Choice Questions:

- 1 If the central bank purchases assets, it will result in:
 - (a) An increase in the money supply.
 - (b) An increase in the central bank's net worth.
 - (c) A decline in the money supply.
 - (d) A decline in the central bank's net worth.

- 2 What is the interest parity condition under a fixed exchange rate regime?
 - (a) $R = R^* + (E_0 - E)/E_0$
 - (b) $R = R^* + E_0/E$

- (c) $R^* = R + (E_0 - E)/E_0$
 (d) $R^* = R + E/E_0$
 (e) $R = R^*$
- 3 If there is a decline in output, to keep the exchange rate fixed, the central bank has to:
- (a) Purchase foreign assets.
 (b) Purchase domestic assets.
 (c) Sell domestic assets.
 (d) Sell foreign assets.
- 4 What is the effect of an increase in the money supply under fixed exchange rates and perfect asset substitutability in the short run?
- (a) An increase in output and no change in interest rates.
 (b) A decline in output and interest rates.
 (c) An increase in output and interest rates.
 (d) A decline in output and no change interest rates.
 (e) None of the above.
- 5 What is the effect of an increase in taxes under fixed exchange rates and perfect asset substitutability in the short run?
- (a) An increase in output and no change in interest rates.
 (b) A decline in output and interest rates.
 (c) A decline in output and no change in interest rates.
 (d) An increase in output and interest rates.
 (e) None of the above.
- 6 What is the effect of a currency devaluation under fixed exchange rates in the short run?
- (a) A decline in output.
 (b) An increase in imports.
 (c) A decline in foreign reserves.
 (d) An increase in exports.
- 7 If a respectable source speculates that there is a possibility of devaluation:
- (a) Output will increase.
 (b) There will be a net private capital outflow.
 (c) The central bank's foreign reserves will increase.
 (d) Domestic interest rates will decline.
- 8 Under imperfect asset substitutability:
- (a) Central banks cannot keep the exchange rate fixed.
 (b) Domestic interest rates should be equal to foreign interest rates.
 (c) Central banks cannot affect money supply.
 (d) Sterilized intervention affects money supply.

- 9 Which of the following is NOT true about the reserve currency standard?
- (a) The currency to which the rates are fixed should be the same as the currency the central bank holds.
 - (b) Exchange rates are all fixed.
 - (c) The reserve center can use monetary policy to keep exchange rates fixed.
 - (d) It leads to an asymmetric arrangement.
- 10 Which of the following is NOT true about the gold standard?
- (a) Central banks have to hold gold as reserve assets.
 - (b) It does not lead to monetary policy spillovers.
 - (c) Exchange rates are all fixed.
 - (d) Some countries have a privileged position.
- 11 Which of the following is NOT a motive for international asset trade?
- (a) Capital controls
 - (b) Intertemporal trade
 - (c) International portfolio diversification
 - (d) Tax avoidance
- 12 Which of the following is NOT a part of a "policy trilemma"?
- (a) International trade policy
 - (b) Capital controls
 - (c) Monetary policy
 - (d) Exchange rate regime
- 13 Which of the following is NOT a type of offshore bank?
- (a) Agency office
 - (b) Subsidiary bank
 - (c) Foreign branch
 - (d) Investment bank
- 14 Which of the following is an example of "Eurocurrency" trade?
- (a) Trade of euros in Europe
 - (b) Trade of dollars for euros anywhere
 - (c) Trade of dollars in Europe
 - (d) Intervention by the ESCB in the euro market
- 15 What are "Eurobanks"?
- (a) Banks that accept Eurocurrency deposits
 - (b) Banks located in Europe
 - (c) European-owned banks in the U.S.
 - (d) Banks that accept deposits in euros

- 16 Which of the following is NOT true about the IBFs?
- (a) They make loans to foreigners
 - (b) They are not subject to taxes
 - (c) They are only investment banks
 - (d) They accept deposits from foreigners
 - (e) They are not subject to reserve requirements
- 17 What institution reduces the risk of bank runs in the U.S.?
- (a) FDIC
 - (b) Federal Reserve System
 - (c) Congress
 - (d) S&Ls
- 18 The Basel Committee:
- (a) Coordinates monetary policy among 11 countries.
 - (b) Provides international deposit insurance.
 - (c) Provides supervision of the banks trading internationally.
 - (d) Provides LLR services to international banks.
 - (e) Establishes reserve requirements for the IBFs.
- 19 Which of the following is true regarding the capital market development since the 1970s?
- (a) The extent of intertemporal trade was larger than theory predicts.
 - (b) Onshore-offshore interest rate differentials were too large.
 - (c) The extent of the international portfolio diversification was smaller than theory predicts.
 - (d) The role of emerging markets declined over time.
- 20 Which of the following theory predictions is supported by the data?
- (a) Real interest parity
 - (b) PPP
 - (c) Nominal interest parity
 - (d) Law of one price
 - (e) None of the above
- 21 Which one of the following statements is the most accurate?
- (a) A devaluation occurs when the central bank lowers the domestic currency price of foreign currency, E , and a revaluation occurs when the central bank raises E .
 - (b) A devaluation occurs when the central bank raises the domestic currency price of foreign currency, E , and a revaluation occurs when the central bank lowers E .
 - (c) Devaluation occurs when the domestic currency price of foreign currency, E , is raised, and a revaluation occurs when E is lowered.

- (d) A devaluation occurs when the central bank of the foreign country raises the domestic currency price of foreign currency, E , and a revaluation occurs when the central bank of the foreign country lowers E .
- 22 Which one of the following statements is the most accurate?
- (a) Depreciation is a rise in E when the exchange rate is fixed, and devaluation is a rise in E when the exchange rate floats.
 - (b) Depreciation is a decrease in E when the exchange rate floats, and devaluation is a rise in E when the exchange rate is fixed.
 - (c) Depreciation is a rise in E when the exchange rate floats, and devaluation is a rise in E when the exchange rate is fixed.
 - (d) Depreciation is a rise in E when the exchange rate floats, and devaluation is a decrease in E when the exchange rate is fixed.
- 23 Which one of the following statements is the most accurate?
- (a) Appreciation is a rise in e when the exchange rate floats, and revaluation is a fall in e when the exchange rate is fixed.
 - (b) Appreciation is a fall in e when the exchange rate floats, and revaluation is a fall in e when the exchange rate is fixed.
 - (c) Appreciation is a fall in e when the exchange rate is fixed, and revaluation is a fall in e when the exchange rate is flexible.
 - (d) Appreciation is a fall in e when the exchange rate floats, and revaluation is a rise in e when the exchange rate is fixed.
- 24 Which one of the following statements is the most accurate?
- (a) Devaluation reflects a deliberate government decision.
 - (b) Depreciation reflects a deliberate government decision.
 - (c) Devaluation reflects a deliberate government decision, and depreciation is an outcome of government actions and market forces acting together.
 - (d) Depreciation reflects a deliberate government decision, and devaluation is an outcome of government actions and market forces acting together.
 - (e) Devaluation and depreciation have the same meaning and the same causes.
- 25 Which one of the following statements is the most accurate?
- (a) Revaluation reflects an outcome of government actions and market forces acting together, and appreciation reflects a deliberate government decision.
 - (b) Revaluation reflects a deliberate government decision, and appreciation is an outcome of government actions and market forces acting together.
 - (c) Revaluation reflects a deliberate government decision, and appreciation is an outcome of government actions.
 - (d) Revaluation and appreciation have the same meaning and the same causes.

- 26 Under fixed exchange rate, which one of the following statements is the most accurate?
- (a) Devaluation causes a decrease in output, a decrease in official reserves, and a contraction of the money supply.
 - (b) Devaluation causes a rise in output, a rise in official reserves, and an expansion of the money supply.
 - (c) Devaluation causes a rise in output and a rise in official reserves.
 - (d) Devaluation causes a rise in output and an expansion of the money supply.
 - (e) Devaluation causes a rise in official reserves and an expansion of the money apply.
- 27 Under fixed exchange rate, which one of the following statements is the most accurate?
- (a) Devaluation causes a rise in output.
 - (b) Devaluation causes a decrease in output.
 - (c) Devaluation has no effect on output.
 - (d) Devaluation causes a rise in output and a decrease in official reserves.
 - (e) Devaluation causes a decrease in output and in official reserves.
- 28 Under fixed exchange rate, which one of the following statements is the most accurate?
- (a) Devaluation causes a reduction of the money supply.
 - (b) Devaluation has no effect on the stock of money.
 - (c) Devaluation causes an expansion of the money supply.
 - (d) Devaluation causes a reduction in output.
 - (e) Devaluation causes a reduction in official reserves.
- 29 The main reason(s) why governments sometimes chose to devalue their currencies is (are):
- (a) Devaluation allows the government to fight domestic unemployment despite the lack of effective monetary policy.
 - (b) Devaluation improves in the current account.
 - (c) Devaluation increases foreign reserves held by the central bank.
 - (d) All of the above.
 - (e) None of the above.
- 30 At negative nominal interest rates, which one of the following statements is the most accurate?
- (a) People would find money strictly preferable to bonds.
 - (b) People would find money strictly preferable to bonds and bonds therefore would be in excess supply.

- (c) People would find money strictly preferable to bonds and bonds therefore would be in excess demand.
31. Which of the following exchange rate policies uses a target exchange rate, but allows the target to change?
- (a) fixed exchange rate
 - (b) flexible exchange rate
 - (c) crawling peg
 - (d) moving target
32. Which among the following could be said to be an 'Open Economy'?
- (a) A nation that follows the doctrine of Free-market and Laissez-faire economics
 - (b) A nation that trades with other nations in goods and services and financial assets
 - (c) An economy that operates without government intervention
 - (d) None of the above
33. The records of exports and imports in goods and services and transfer payments is known as
- (a) Current account
 - (b) Budget surplus
 - (c) Economic leakage
 - (d) degree of openness
34. The ratio of foreign rates to domestic rates measured in the 'same' currency is known as:
- (a) Real exchange rate
 - (b) Nominal exchange rate
 - (c) Superfluous exchange rate
 - (d) None of the above
35. Which among the following is taken as the real measure of a country's international competitiveness?
- (a) Real exchange rate
 - (b) Nominal exchange rate
 - (c) Superfluous exchange rate
 - (d) None of the above
36. When the exchange rate is determined by the market forces of demand and supply, it is known as :
- (a) Real exchange rate
 - (b) Nominal exchange rate

- (c) Superfluous exchange rate
 - (d) Floating exchange rate
37. The Gold Standard was prevalent in the world from:
- (a) 15th century to 18th century
 - (b) 9th century to 18th century
 - (c) From 1870 till First World War
 - (d) From 1670 till First World War
38. An increase in foreign income generally leads to:
- (a) increased exports, increased domestic output
 - (b) decreased exports, increased domestic output
 - (c) decreased exports, decreased domestic output
 - (d) increased exports, decreased domestic output
39. What records a country's transactions (made by individuals, firms and government bodies.) with the rest of the world?
- (a) Trade deficit
 - (b) Capital Budget
 - (c) Foreign imports
 - (d) Balance of Payments or BoP
40. Under a fixed exchange rate system, a contractionary fiscal policy leads to a worsening in a nation's balance-of-payments position if the resulting:
- (a) Trade-account deficit more than offsets the capital-account surplus
 - (b) Trade-account deficit more than offsets the capital-account deficit
 - (c) Capital-account deficit more than offsets the trade-account surplus
 - (d) Capital-account deficit more than offsets the trade-account deficit
41. Given a system of floating Exchange rates, falling income in the United States would trigger:
- (a) An increase in the demand for imports and an increase in the demand for foreign currency
 - (b) An increase in the demand for imports and a decrease in the demand for foreign currency
 - (c) A decrease in the demand for imports and an increase in the demand for foreign currency
 - (d) A decrease in the demand for imports and a decrease in the demand for foreign currency

42. Under a system of floating Exchange rates, relatively low productivity and high inflation rates in the United States result in:
- An increase in the demand for foreign currency, a decrease in the supply of foreign currency, and a depreciación in the dollar
 - An increase in the demand for foreign currency, an increase in the supply of foreign currency, and an appreciation in the dollar
 - A decrease in the demand for foreign currency, a decrease in the supply of foreign currency, and a depreciation in the dollar
 - A decrease in the demand for foreign currency, an increase in the supply of foreign currency, and an appreciation in the dollar
43. Which example of market expectations causes the dollar to appreciate against the yen? Expectations that the U.S. economy will have:
- Faster economic growth than Japan
 - Higher future interest rates than Japan
 - More rapid money supply growth than Japan
 - Higher inflation rates than Japan
44. Starting at the point of equilibrium between the money supply and the money demand, an increase in the domestic money supply causes the value of the home currency to:
- Depreciate relative to other currencies
 - Appreciate relative to other currencies
 - Not change relative to other currencies
 - None of the above
45. An Exchange rate is said to _____ when its short-run response to a change in market Fundamentals is greater than its long-run response. a
- Overshoot
 - Undershoot
 - Depreciate
 - Appreciate
46. Concerning exchange-rate determination, “market fundamentals” include all of the following except:
- Monetary policy and fiscal policy
 - Profitability and riskiness of investments
 - Speculative opinion about future Exchange rates
 - Productivity changes affecting production costs
47. In the short run, Exchange rates respond to market forces such as:
- Inflation rates
 - Expectations of future Exchange rates

- (c) Investment profitability
- (d) Government trade policy

48. Long-run Exchange rate movements are governed by all of the following except:

- (a) National productivity levels
- (b) Consumer tastes and preferences
- (c) Rates of inflation
- (d) Interest rate levels

49. That identical goods should cost the same in all nations, assuming it is costless to ship goods between nations and there are no barriers to trade, is a reflection of the:

- (a) Monetary approach to exchange-rate determination
- (b) Law of one price
- (c) Fundamentalist approach to exchange-rate determination
- (d) Exchange-rate-overshooting principle

50. The quantity of dollars supplied to the foreign Exchange market would increase if, other things remaining equal:

- (a) Income rises in Canada
- (b) Manufacturing productivity increases in Canada
- (c) Prices decrease in Canada
- (d) Import tariffs rise in Canada

51. The Gold Standard was prevalent in the world from:

- (a) 15th century to 18th century
- (b) 9th century to 18th century
- (c) From 1870 till First World War
- (d) From 1670 till First World War

52. When was the International Monetary Fund (IMF) set up?

- (a) 1912
- (b) 1214
- (c) 1942
- (d) 1944

53. An increase in foreign income generally leads to:

- (a) Increased exports, increased domestic output
- (b) Decreased exports, increased domestic output
- (c) Decreased exports, decreased domestic output
- (d) Increased exports, decreased domestic output

54. If there is an increase in the trade deficit, there must be

- (a) An increase in the current account.

- (b) An increase in the capital account.
 - (c) a decrease in the capital account.
 - (d) An increase in net transfers in the current account.
55. To finance large U.S. federal Budget deficits, the Federal Reserve increases the money supply. This leads to a surplus of dollars world wide. What happens to the U.S. dollar and trade?
- (a) The dollar appreciates in value, stimulating imports but curtailing exports.
 - (b) The dollar appreciates in value, stimulating exports but curtailing imports.
 - (c) The dollar depreciates in value, stimulating imports but curtailing exports.
 - (d) The dollar depreciates in value, stimulating exports but curtailing imports.
56. The Federal Reserve raises interest rates. What happens in the foreign Exchange market?
- (a) Capital flows into the United States from other countries.
 - (b) Capital flows out of the United States in to other countries.
 - (c) The U.S. dollar depreciates.
 - (d) There is no change in the foreign Exchange market
57. If the dollar depreciates, this likely will cause
- (a) U.S. aggregate supply to rise in the short run and rise in the longrun.
 - (b) U.S. aggregate supply to rise in the short run but fall in the longrun.
 - (c) U.S. aggregate supply to fall in the short run and fall in the longrun.
 - (d) U.S. aggregate supply to fall in the short run but rise in the longrun
58. If the U.S. dollar depreciates against the British pound, what is likely to happen?
- (a) British people will buy more American goods.
 - (b) Americans will buy more British goods.
 - (c) Americans will take more vacations in Britain.
 - (d) British people will stop vacationing in Florida
59. Exchange rates are flexible and fiscal policy is held constant. An expansionary monetary policy will be
- (a) Reinforced by an open economy.
 - (b) Mitigated by an open economy.
 - (c) Unaffected by an open economy.
 - (d) Multiplied by an outflow of gold.
60. Exchange rates are flexible and fiscal policy is held constant. A Contractionary monetary policy will be
- (a) Reinforced by an open economy.
 - (b) Mitigated by an open economy.

- (c) Unaffected by an open economy.
 - (d) Multiplied by a outflow of gold.
61. In a floating exchange rate system:
- (a) The government intervenes to influence the exchange rate
 - (b) The exchange rate should adjust to equate the supply and demand of the currency
 - (c) The Balance of Payments should always be in surplus
 - (d) The Balance of payments will always equal the government budget
62. To prevent the external value of its currency rising the government could:
- (a) Sell its own currency
 - (b) Increase interest rates
 - (c) Buy its own currency
 - (d) Sell foreign currency
63. A fall in the external value of a currency:
- (a) May cause an outward shift in the demand for the currency
 - (b) May cause an inward shift in the supply for the currency
 - (c) May lead to a movement along the demand curve for a currency
 - (d) May be due to an increase in demand for the country's export
64. Which of the following is NOT an argument for a country allowing its currency to float freely?
- (a) It allows the country to have sovereignty over its currency.
 - (b) It enables a country to allow its currency to depreciate if it faces balance of payments deficits.
 - (c) It gives greater certainty to firms involved in trade in terms of future revenues.
 - (d) It enables a country to have greater control over its fiscal and monetary policies.
65. In a fixed exchange rate regime, the central bank will intervene by _____ pounds to _____ the exchange rate
- (a) selling, increase
 - (b) buying, reduce
 - (c) selling, reduce
 - (d) buying, increase
 - (e) a and b
 - (f) c and d
66. Starting from a position of internal and external balance, a reduction in aggregate demand will cause a current account _____
- (a) deficit
 - (b) surplus
 - (c) revaluation

- (d) devaluation

67. A rise in the real exchange rate will _____ the competitiveness of the domestic economy

- (a) increase
- (b) reduce
- (c) do nothing to

68. Within the circular flow of income, an increase in domestic income will tend to increase

- (a) exports
- (b) taxes
- (c) inventories
- (d) imports

69. Perfect international capital mobility suggests that international funds will be responsive to _____ differentials

- (a) current account
- (b) interest rate
- (c) tax
- (d) price

70. When capital mobility is perfect, interest rate differentials will tend to be offset by _____

- (a) price differences
- (b) balance of payments differences
- (c) current account differences
- (d) expected exchange rate changes

Ans. (1)(a), (2)(e), (3)(d), (4)(e), (5)(a), (6)(d), (7)(b), (8)(d), (9)(c), (10)(b), (11)(a), (12)(a), (13)(d), (14)(c), (15)(a), (16)(c), (17)(a), (18)(c), (19)(c), (20)(e) (21)(b), (22)(c), (23)(b), (24)(c), (25)(b), (26)(b), (27)(a), (28)(c), (29)(d), (30)(b), (31)(c), (32)(a), (33)(a), (34)(a), (35)(a),(36)(d),(37)(c), (38)(a), (39)(d), (40)(c), 41(d), 42(a), 43(b), 44(a), 45(a), 46(c), 47(b), 48(d), 49(b), 50(a), 51(c), 52(d), 53(a), 54(b), 55(d), 56(a), 57(b), 58(a), 59(a), 60(a), 61(b), 62(a), 63(c), 64(c), 65(f), 66(b), 67(b), 68(d), 69(b), 70(d)

II Short Answer Type Questions:

1. Define foreign trade multiplier (FTM) and highlight its theoretical and practical relevance.
2. Highlight the limitations of the theory of FTM. Is it relevant in spite of these deficiencies?

3. Define and derive FTM. Illustrate it graphically.
4. "FTM provides a very limited but useful insight into interdependence of an open economy with rest of the world", Explain.
5. Write a short note on the absorption approach. Highlight the concept of propensity to absorb.
6. Write short notes on the concepts of substitution and income effects of devaluation.
7. Write a short note on different types of tariffs, and their role in correcting a deficit balance of trade. Also, highlight the roles and importance of revenue and protective effects.
8. Write a short note on the meaning and rationale of quantitative or non-tariff barriers.
9. Write a comprehensive note on import quotas and their efficacy in ensuring a balanced BOT.
10. Write brief notes on exchange control and multiple exchange rates as tools for correcting a BOT deficit.
11. What is meant by exchange rate appreciation & depreciation? When would they take place?
12. What do you understand by 'spot rate & forward rate'?
13. Distinguish between stabilizing & destabilizing speculation.
14. Discuss the concept of hedging and speculation in context of foreign exchange rate determination.
15. How is the foreign exchange rate determined? Show the relationship between the balance of payments & foreign exchange rate changes in a country.
16. According to absorption approach, does it make any difference whether a nation's currency depreciates when the economy is operating at less than full capacity versus at full capacity.
17. What implications does currency pass through have for a nation whose currency depreciates?
18. How does the J-curve effect relate to the time path of currency depreciation?
19. In a free market, what factors underlie currency exchange values?
20. What is meant by exchange rate overshooting?
21. How do elasticities of supply and demand for imports and exports affect the supply and demand for foreign exchange?
22. How does central bank intervention in the foreign exchange market affect the money supply?
23. What do the MPC and the MPS measure?
24. How is the equilibrium level of national income determined in a closed economy?
25. How is the equilibrium level of national income determined in a small open economy?
26. Identify the advantages of automatic over policy adjustments to correct a trade disequilibrium.
27. Describe how the absorption approach works.

III Long Answer Type Questions:

1. Assess the claim that we do not have a comprehensive theory of BOP adjustment. Highlight the factors which come in the way of developing such theory.
2. To what extent are we justified in using a part of the balance of payments as a substitute for the total balance of payments and extend the analysis and interferences of the former to the latter?

3. "Development of a comprehensive theory of BOP adjustment is hindered by several factors including a lack of a universally accepted philosophy and objectives," Explain.
4. What is the need for being concerned about a persistent deficit BOP especially when it is not necessarily a sign of weakness of the deficit economy?
5. Highlight the developments which are making balance of trade of a country increasingly less representative of its balance of payments as a whole?
6. Why are most countries worried only about persistent deficits in their balance of trade? Do you think a country should be happy in having a persistent surplus balance of trade? Give reasons for your answer.
7. What is meant by stability of exchange rate equilibrium? How is it related to the possibility of correcting a balance of trade deficit?
8. Describe the automatic mechanism of correcting balance of trade of a country under a regime of fixed exchange rates (both gold standard and paper standard). To what extent is it desirable to have this regime?
9. Is a flexible exchange rate a help or a hindrance in BOP adjustment?
10. What is meant by devaluation of a currency? How is it expected to help in correcting a deficit balance of trade?
11. "Devaluation is a self-defeating policy measure. In addition, it curtails trade and reduces economic gains of a country from its foreign trade". Elaborate.
12. "Devaluation is a risky measure." Evaluate.
13. Write a detailed note on the "elasticities" and "absorption" approaches in explaining the mechanism by which devaluation works. Which of the two would you prefer, and why?
14. "Both elasticities approach and absorption approach have their merits and demerits. Instead of relying upon one to the exclusion of the other, the two should be synthesized." Evaluate this claim.
15. What is Marshall-Lerner Condition? Elaborate on it, highlighting its merits and limitations.
16. "BOP deficit or surplus of a country is a manifestation of a monetary imbalance and should be corrected accordingly." Elaborate.
17. "Portfolio approach holds that balance of trade of a country results from an imbalance in its entire financial system; therefore, the corrective measures also lie in tackling that imbalance," Assess this claim.
18. Show how the rate of foreign exchange is determined under paper currency standard? Would you favor a fixed or a flexible foreign exchange system? Discuss.
19. If the foreign inflation rate rises permanently, would you expect a floating exchange rate to insulate the domestic economy in the short run? What would happen in the long run? In answering the latter question, pay attention to long run relationship between domestic and foreign nominal rates.
20. Explain the factors responsible for the linkages between forward & spot markets.
21. Derive BP schedule for a small open economy and show the equilibrium under Mundell Fleming Model.
22. What are exchange controls? What are their objectives? Do you advocate use of exchange controls for BOP adjustment? Discuss with particular reference to less developed countries.
23. Show how the rate of foreign exchange is determined under paper currency standard? Would you favour a fixed or a flexible foreign exchange rate system?
24. Discuss Robert Mundell's model concerning the appropriate use of monetary & fiscal policies for internal & external balance under a system of fixed exchange rates.
25. a) Argue for and against flexible exchange rates?

- b) Distinguish between fixed and flexible exchange rates and the way these rates are quoted in Foreign Exchange markets.
26. How is an automatic adjustment in the BOP brought about by allowing flexibility in prices, interest rates, national income levels and exchange rates? What are the benefits and costs of using the automatic adjustment mechanism?
 27. Examine carefully the relative merits of fixed and flexible exchange rate policies in the context of external as well as internal balance for a country. Discuss with particular reference to less developed countries.
 28. Explain clearly the following exchange rate systems: Adjustable Peg, Crawling or Trotting Peg, Dirty and clean floats, Managed Flexibility or Controlled Floating, Snake in the Tunnel. What are their implications and suggestions?
 29. What are exchange controls? What are their objectives? Do you advocate use of exchange controls for BOP adjustment? Discuss with particular reference to less developed countries.
 30. Critically evaluate devaluation as an instrument of BOP adjustment using both the elasticity approach and absorption approach. Do you consider devaluation as an appropriate policy for less developed countries suffering from BOP disequilibrium?
 31. "Balance of Payments Disequilibrium may trigger automatic adjustment mechanisms but these mechanisms may have serious unwanted side effects". Explain how these side effects arise and how they may be avoided.
 32. What are the factors influencing the value of a country's currency? Why do countries devalue their currency?
 33. According to monetary approach to the balance of payments, what is the policy variable that the authorities can use to assure equilibrium in the supply and demand for foreign currency?
 34. Where will a disequilibrium between the supply and demand for money manifest itself?
 35. Are there any situations when sterilizing the monetary effects of central bank intervention in the foreign exchange market must be justified?
 36. What will happen to the value of a country's currency in the foreign exchange markets if the country's citizens suddenly revise upward their expectations of the home inflation rate? Why?
 37. What condition is required for stability in the foreign exchange market if both domestic and foreign supplies of traded goods are infinitely elastic?
 38. How does the automatic income adjustment mechanism operate to bring about adjustment in a nation's balance of payments? What are the variables that we hold constant to isolate the income adjustment mechanism?
 39. What is meant by the elasticity approach? the absorption approach? In what way does the absorption approach integrate the automatic price and income adjustment mechanisms?
 40. What happens to the trade balance of a deficit nation if it allows its currency to depreciate or devalue from a position of full employment? How can real domestic absorption be reduced?
 41. What is meant by automatic monetary adjustments? How do they help to adjust balance-of-payments disequilibria?
 42. How do all the automatic adjustment mechanisms operate together to correct a deficit in a nation's balance of payments under a fixed or managed exchange rate system when the nation operates at less than full employment? What is the disadvantage of each automatic adjustment mechanism?