

Uva Wellassa University

Faculty of Management

Degree of Bachelor of Business Management in Entrepreneurship and Management



**Uva Wellassa
University**

THIRD YEAR FIRST SEMESTER EXAMINATION - JULY/AUGUST 2016

EMG 341 - 2 International Trade and Finance



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(Total 25 marks)

- (3).
- (a). Explain the difference between absolute advantage and relative advantage theories of international trade (4 marks)
 - (b). "Relative advantage theory of international trade is one of the oldest trade theories yet can be applied in explaining the current world trade" Do you agree with this statement? Justify your answer. (6 marks)
 - (c). Free trade will lead to a higher consumption point (a higher level of social welfare) than without trade. Discuss this using a production possibility Frontier. (10 marks)
 - (d). Briefly explain two of the major misconceptions about comparative advantage (5 marks)
- (Total 25 marks)

- (4).
- (a). Discuss three major features of Specific Factor Model of international trade (3 marks)
 - (b). Derive the Production Possibility Frontier for Specific Factor Model using a Four Quadrant Diagram (8 marks)
 - (c). Using relevant graphs, explain the equilibrium after trade in the Specific Factor Model (14 marks)
- (Total 25 marks)

- (5). (a). "Heckscher - Ohlin Trade Theory explains that not only comparative advantage, but also resource endowment is also important in engaging in international trade while Gravity Model explains that size and distance of two trading partners are also important in engaging in international trade".

Discuss this statement using examples, graphs and figures where necessary.

(Total 25 marks)

- (6). Briefly discuss any five (5) of the following (5 marks for each)

- (a). Mercantilists' View on Trade
- (b). Comparative Advantage Theory of Trade
- (c). Recent Trends in Exchange Rates in Sri Lanka
- (d). Trade Direction of Sri Lanka
- (e). Export Composition of Sri Lanka
- (f). Indo Sri Lanka Free Trade Agreement
- (g). World Trade Organization
- (h). Indo-Sri Lanka Economic and Technology Cooperative Agreement

(Total 25 marks)

