



Uva Wellassa University

Faculty of Management

Degree of Bachelor of Business Management in Entrepreneurship and Management

Year 3 Semester II - Examination June/July 2010

EMG 341-3 International Trade and Finance

Time : Two hours and thirty minutes only

Total marks : 80

Calculators are allowed

Index No:

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PART – C

Essay Questions

Answer only three questions including question no1.

Total Marks Allocation: 50 Marks

01. According to the David Ricardo, “The basis for international trade is comparative advantages”. Critically explain the above statement adopting the necessary examples for comparative advantage.

(20Marks)

02. Explain the followings briefly

- i. Gravity model
- ii. Balance of Payment
- iii. Partial equilibrium analysis

(5 Marks each)

(Total Marks 15)

03. Demand and Supply equations for a hypothetical economy are given as follows.

$$Q_d = 400 - 2 P$$

$$Q_s = 200 + 2 P$$

- i. Calculate the equilibrium price and quantity for this economy.

(4 Marks)

- ii. What are the effects of importing this good from abroad at price of Rs.30 per unit?

(4 Marks)

- iii. If government decides to impose a tariff on imports (assume that is equal to Rs.10), what can be the effects? (Graphically illustrate the effect)

(4 Marks)

- iv. Government decides to stop the imports by increasing the rate of tariff as a strategy of protecting domestic industries. If government wants to implement this policy, how they should amend their tariff rate?

(3 Marks)

(Total 15 Marks)

04.

i) "The popularity of counter trade will be continued to grow even beyond the next couple of decades" Justify this statement.

(5 marks)

ii) "Free trade agreements between unequal partners implies unequal trade" Discuss.

(5 marks)

iii) Discuss three main factors to be considered when selecting an export strategy, in particular for a small firm.

(5
marks)

(Total 15 Marks)

05.

i. Discuss three shortcomings of Indo Lanka Free Trade Agreement (ILFTA) in Sri Lankan Perspective.

(6 marks)

ii. Justify why Sri Lanka should go for a Comprehensive Economic Partnership Agreement (CEPA) with India, even beyond a Free Trade Agreement (FTA).

(9 marks)

(Total 15 Marks)

