

PART - II

Essay Questions

Answer only three (03) questions.

01. Describe the "Theory of opportunity cost" in international trade. (Utilize the graphical illustration)

(20 Marks)

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

$$Q_d = 300 - 2P$$

$$Q_s = 100 + 2P$$

- i. Calculate the equilibrium price and quantity for this economy.
(4 Marks)
- ii. What are the effects of importing this good at the rate of Rs.30 per unit?
(6 Marks)
- iii. Explain the effects by using a graph, if the government decided to impose a tariff on imports. (Assume that tariff is equal to Rs.10)
(6 Marks)
- iv. Government decides to stop the imports by increasing the rate of tariff as a strategy of protecting domestic industries. If the government wants to implement this policy, how they should amend their tariff rate?
(4 Marks)

03. Explain the followings.

- i. The classifications of tariff. (10 Marks)
- ii. The differences between tariff and quota. (5 Marks)
- iii. The assumptions of "Partial equilibrium analysis"? (5 Marks)

04. Briefly explain the following concepts.

- i. WTO & GATT
- ii. GSP +
- iii. Exchange rate policy in Sri Lanka
- iv. Conclusions of Mundell-Fleming Model

(5 Marks each)

