Uva Wellassa University
Faculty of Animal Science & Export Agriculture
BSc in Export Agriculture
BSc in Tea Technology and Value Addition
BSc in Palm and Latex Technology and Value Addition

End Semester Examination - September / October 2015
Year III Semester II

International Trade and Finance (EAG 321 -2)

Instructions

Answer **all** questions

No. of questions : Five (05)
No .of pages : Three (03)
Time : Two hours (02 hrs.)
Total marks allocated: 100%

Index No.: ----------

Question 01

1.1 "International trade can have both positive and negative impacts on a country". Discuss above statement. (08 marks)

1.2 Briefly explain "Comparative Advantage Theory". (04 marks)

1.3 Explain the defects of Mercantilism. (08 marks)

Question 02

2.1 Give four (04) important assumptions used by David Ricardo to describe the Absolute Advantage Theory. (04 marks)

2.2 Assume Sri Lanka and USA produce only Wheat and Tea using labor resource. Below table shows available labor in two countries and required labor to produce one (01) ton of both goods.

	Sri Lanka	USA
Labor Availability	100 labor units	100 labor units
Labor requirement of wheat production	20 labor units	04 labor units
Labor requirement of tea production	10 labor units	05 labor units

Note: Without trade they use **half of resources** to produce each product.

a. How much of tea and wheat are produced in each country without trade? (06 marks)

b. Who has the absolute advantage for producing tea? (01 mark)

c. Who has the absolute advantage for producing wheat? (01 mark)

d. Which commodity gives the comparative advantage to Sri Lanka (04 marks)

e. If they specialized according to the comparative advantage, how much of tea and wheat will be produce in each country? (04 marks)

Question 03

3.1 Briefly explain the following terms.

a. Opportunity cost (04 marks)

b. Production Possibility Frontier (04 marks)

3.2 Using theory of Opportunity Cost, explain how both countries can gain from trade. (Support your answer with graphical analysis). (12 marks)

Question 04

4.1 Explain the following terms.

a. Balance of Trade (04 marks)

b. Balance of Payment (04 marks)

4.2 Give five (05) reasons for disequilibrium in Balance of Payment. (05 marks)

4.3 Study the table and answer the questions below.

Exports/Imports	**$ million**
Visible exports	108,843
Visible imports	132,578
Invisible exports	148,916
Invisible imports	112,223

a. Calculate the Balance of Trade. (03 marks)

b. Calculate the current account balance. (04 marks)

Question 05

Write short notes on followings;

5.1 Trade Agreements (06 marks)

5.2 Trade Barriers (08 marks)

5.3 Role of World Trade Organization (WTO) (06 marks)

