



**ST. LAWRENCE HIGH SCHOOL**



**A Jesuit Christian minority Institution**

**Subject: Economics Class-XI Date: 28/11/2020**

**Answer key of Worksheet-7**

**Chapter: International trade**

**Topic- Different theories of trade, Arguments on free trade**

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1. Choose the correct alternative.

1x15=15

- a) International trade theory of absolute cost advantage is given by i) Marshall ii) **Adam Smith** iii) David Ricardo iv) none of these
- b) According to oldest theory of International trade if both countries have absolute cost advantage in both the commodities **(i) trade can not take place** ii) trade can take place iii) only one country will get benefit out of trade iv) none of these
- c) International trade theory of comparative cost is given by i) Adam Smith ii) Marshall **iii) David Ricardo** iv) none of these
- d) Main assumptions of Theory of comparative cost are i) each country uses only one factor of production ii) free international trade takes place between two countries and there is no restriction on the movement of commodities iii) There are 2 countries producing 2 commodities and trade takes place in these 2 commodities **iv) all of the above**
- e) The limitations of Ricardian theory are i) the theory is meant for only countries and 2 commodities ii) it is assumed there is no transport cost which is very unrealistic iii) complete specialization in one commodity is not possible when size of the countries differ. **iv) all of the above**
- f) Advantages of free trade are i) effective utilization of natural resources ii) Import of essential commodities iii) economic crisis of one country can be expanded to the other through free trade **iv) both (i) and (ii)**

- g) Disadvantages of free trade are i) excessive dependence on other countries ii) if trade is free sometimes harmful commodities will be imported iii) free trade stands in the way of industrial development of less developed countries iv) **all of these**
- h) When tariff is imposed on per unit of import it is known as i) advalorem duty ii) **specific duty** iii) quota iv) none of these
- i) when tax is imposed on the price of the imported good as a percentage of the price then it is known as i) specific duty ii) **advalorem duty** iii) quota iv) none of these
- j) Tariff or import duty is imposed i) to earn some revenue for the government ii) to protect domestic industry from the foreign competition iii) to increase imports iv) **both (i) and (ii)**
- k) When there is quantitative restriction on import then it is known as i) **quota** ii) tariff ii) specific duty iv) advalorem duty
- l) In case of quota i) **only appropriate license holders on quota are allowed to import** ii) anybody can import by paying import duty iii) only import licensing authority is allowed to import iv) none of these
- m) sometimes it is found that countries in a region of the world form an association through an agreement. The members of the association decide to give preferential treatment to goods coming from the member countries than from non member countries, it is known as i) bilateral agreements ii) **regional trade agreement** iii) economic union iv) none of these
- n) Some major forms of regional economic association are i) Free trade area ii) Preferential trading club iii) Custom union iv) **all of these**
- o) GATT was signed in i) **Geneva in 1947** ii) Zurich in 1947 iii) Lancashire in 1946 iv) none of these

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