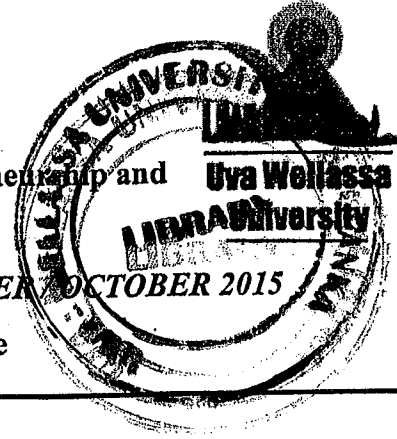


Uva Wellassa University  
Faculty of Management  
Degree of Bachelor of Business Management in Entrepreneurship and  
Management



**THIRD YEAR FIRST SEMESTER EXAMINATION – SEPTEMBER/OCTOBER 2015**

**EMG 341 – 2 International Trade and Finance**

**Instructions to candidates:**

No. of pages : Four (04)  
No. of questions : Twenty (20) MCQs  
: Five (05) Essays  
Time : Two (02) Hours  
Marks allocated : 100 Marks  
**Answer any four (04) questions.**

**Index No:**

(02).

- (a). Define Absolute Advantage and Relative Advantage in International Trade (5 marks)
  - (b). Discuss the difference between Absolute and Relative Advantage using your own examples (8 marks)
  - (c). Graphically explain that open to trade is better than an autarky from the social welfare point of view (6 marks)
  - (d). Gains from trade can be due to "exchange" and "specialization". Discuss this statement. (6 marks)
- (Total 25 marks)**

(03).

"Not only labour productivity but also resource availability matters in International Trade". Discuss the above statement using relevant theories of International Trade.

**(Total 25 marks)**

(04).

"Gravity model explains that size of the economy and the distance of trade partners also matters in International Trade"

- (a). Explain the gravity model of International Trade. (7 marks)
  - (b). Discuss two empirical examples of International Trade that can be explained by the gravity model of international trade. (8 marks)
  - (c). Evaluate the use of gravity model in explaining the International Trade in present international trade patterns. (10marks)
- (Total 25 marks)**

(05).

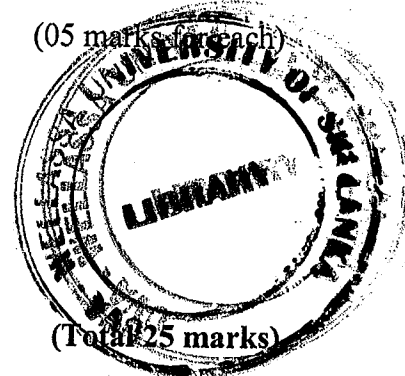
- (a). Provide four types of trade barriers (3 marks)
  - (b). Discuss the cost and benefit of tariff in international trade using a graph (7 marks)
  - (c). What are "Voluntary Export Restraints" (VER)? (3 marks)
  - (d). Discuss the use of regional trade agreements in international trade (6 marks)
  - (e). What is your view on India - Sri Lanka Comprehensive Economic Partnership Agreement (CEPA)? Discuss. (6 marks)
- (Total 25 marks)**

(06).

Write short notes on any five (5) of the following

- (a). Production Possibility Frontiers
- (b). Decreasing Opportunity Cost
- (c). Mercantilists' View on Trade
- (c). Trade Barriers
- (d). Regional Trade Agreements of Sri Lanka
- (e). Trade Direction of Sri Lanka
- (f). World Trade Organization

(05 marks for each)



(Total 25 marks)