

International business MCQ with Answers

International trade contributes and increases the world _____

- A. Population
- B. Inflation
- C. Economy
- D. Trade Barriers

View Answer

C. Economy

The ratio of trade to GDP was as high as _____ in 1913.

- A. 22.1
- B. 11.2
- C. 26.3
- D. 33.2

View Answer

A. 22.1

Free international trade maximizes world output through _____.

- A. Countries reducing various taxes imposed.
- B. Countries specializing in production of goods they are best suited for.
- C. Perfect competition between countries and other special regions
- D. The diluting the international business laws & conditions between countries.

View Answer

B. Countries specializing in production of goods they are best suited for.

Domestic company limits its operations to _____ political boundaries.

- A. International
- B. National
- C. Transnational
- D. Global

View Answer

B. National

Trade between two or more than two countries is known as _____.

- A. Internal Business
- B. External Trade
- C. International Trade
- D. Unilateral Trade

View Answer

C. International Trade

_____ refers to the tax imposed on imports.

- A. Imported Tax
- B. Tariffs
- C. Subsidies
- D. Import Quotas

View Answer

B. Tariffs

_____ means selling the products at a price less than on going price in the market.

- A. Quota
- B. Tariff
- C. Subsidy
- D. Dumping

View Answer

D. Dumping

_____ is the oldest International Trade theory.

- A. Country Similarity Theory
- B. Theory of Absolute Cost advantage
- C. Product Life Cycle Theory
- D. Mercantilism Theory

View Answer

D. Mercantilism Theory

A voluntary export restraint is the opposite form of _____.

- A. Import quotas
- B. International tariffs
- C. Subsidies
- D. Dumping

View Answer

A. Import quotas

The international trade between _____ is like a vast game of beggar my neighbor.

A. Exporter & Importer

B. Two Countries

C. Two world wars

D. Country's allies and enemies

View Answer

C. Two world war

Q1. Trade between two countries can be useful if cost ratios of goods are:

A. Undetermined

B. Decreasing

C. Equal

D. Different

Answer: D

Q2. The term Euro Currency market refers to

A. The international foreign exchange market

B. The market where the borrowing and lending of currencies take place outside the country of issue

C. The countries which have adopted Euro as their currency

D. The market in which Euro is exchanged for other currencies

Answer: B

Q3. Which of the following theories suggests that firms seek to penetrate new markets over time?

A. Imperfect Market Theory

B. Product cycle theory

C. Theory of Comparative Advantage

D. None of the above

Answer: B

Q4. Dumping refers to:

A. Reducing tariffs

B. Sale of goods abroad at a lower price, below their cost and price in their home market

C. Buying goods at low prices abroad and selling at higher prices locally

D. Expensive goods selling for low prices

Answer: B

Q5. International trade and domestic trade differ because of:

A. Different government policies

B. Immobility of factors

C. Trade restrictions

D. All of the above

Answer: D

Q6. The margin for a currency future should be maintained with the clearing house by

A. The seller

B. The buyer

C. Either the buyer or the seller as per the agreement between them

D. Both the buyer and the seller

Answer: D

Q7. The following statement with respect to currency option is wrong

A. Foreign currency- Rupee option is available in India

B. An American option can be executed on any day during its currency

C. Put option gives the buyer the right to sell the foreign currency

D. Call option will be used by exporters

Answer: D

Q8. Govt. policy about exports and imports is called:

- A. Commercial policy
- B. Fiscal policy
- C. Monetary policy
- D. Finance policy

Answer: A

Q9. Which of the following is international trade?

- A. Trade between countries
- B. Trade between regions
- C. Trade between provinces
- D. Both (b) and (c)

Answer: A

Q10. Market in which currencies buy and sell and their prices settle on is called the

- A. International bond market
- B. International capital market
- C. Foreign exchange market
- D. Eurocurrency market

Answer: C

1. **Trade between two countries can be useful if cost ratios of goods are:**

- (a) Undetermined
- (b) Decreasing
- (c) Equal
- (d) Different

Answer: (d)

2. **The term Euro Currency market refers to**

- (a) The international foreign exchange market
- (b) The market where the borrowing and lending of currencies take place outside the country of issue
- (c) The countries which have adopted Euro as their currency
- (d) The market in which Euro is exchanged for other currencies

Answer: (b)

3. **Which of the following theories suggests that firms seek to penetrate new markets over time?**

- (a) Imperfect Market Theory
- (b) Product cycle theory
- (c) Theory of Comparative Advantage
- (d) None of the above

Answer: (b)

4. **Dumping refers to:**

- (a) Reducing tariffs
- (b) Sale of goods abroad at low a price, below their cost and price in home market
- (c) Buying goods at low prices abroad and selling at higher prices locally
- (d) Expensive goods selling for low prices

Answer: (b)

5. **International trade and domestic trade differ because of:**

- (a) Different government policies
- (b) Immobility of factors

- (c) Trade restrictions
- (d) All of the above

Answer: (d)

6. **The margin for a currency future should be maintained with the clearing house by**
- (a) The seller
 - (b) The buyer
 - (c) Either the buyer or the seller as per the agreement between them
 - (d) Both the buyer and the seller

Answer: (d)

7. **The following statement with respect to currency option is wrong**
- (a) Foreign currency- Rupee option is available in India
 - (b) An American option can be executed on any day during its currency
 - (c) Put option gives the buyer the right to sell the foreign currency
 - (d) Call option will be used by exporters

Answer: (d)

8. **Govt. policy about exports and imports is called:**
- (a) Commercial policy
 - (b) Fiscal policy
 - (c) Monetary policy
 - (d) Finance policy

Answer: (a)

9. **Which of the following is international trade:**
- (a) Trade between countries
 - (b) Trade between regions
 - (c) Trade between provinces
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Answer: (a)

10. **Market in which currencies buy and sell and their prices settle on is called the**
- (a) International bond market
 - (b) International capital market
 - (c) Foreign exchange market
 - (d) Eurocurrency market

Answer: (c)

1. **Trade between two countries can be useful if cost ratios of goods are:**
- (a) Undetermined
 - (b) Decreasing
 - (c) Equal
 - (d) Different

Answer: (d)

2. **The term Euro Currency market refers to**
- (a) The international foreign exchange market
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- (c) The countries which have adopted Euro as their currency
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Answer: (b)

3. **Which of the following theories suggests that firms seek to penetrate new markets over time?**
- (a) Imperfect Market Theory
 - (b) Product cycle theory
 - (c) Theory of Comparative Advantage
 - (d) None of the above

Answer: (b)

4. **Dumping refers to:**
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 - (c) Buying goods at low prices abroad and selling at higher prices locally
 - (d) Expensive goods selling for low prices

Answer: (b)

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 - (d) All of the above

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Answer: (a)

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- (a) International bond market
 - (b) International capital market
 - (c) Foreign exchange market
 - (d) Eurocurrency market

Answer: (c)

11. International trade contributes and increases the world _____

- 1. Population
- 2. Inflation
- 3. Economy
- 4. Trade Barriers

Answer :-

- 1. Economy

12. The ratio of trade to GDP was as high as _____ in 1913.

- 22. 22.1
- 23. 11.2
- 24. 26.3
- 25. 33.2

Answer :-

- 22. 22.1

13. Free international trade maximizes world output through _____.

- 1. Countries reducing various taxes imposed.
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Answer :-

- 1. Countries specializing in production of goods they are best suited for.

14. Domestic company limits it's operations to _____ political boundaries.

- 1. International
- 2. National
- 3. Transnational
- 4. Global

Answer :-

1. National

15. Trade between two or more than two countries is known as _____.

1. Internal Business
2. External Trade
3. International Trade
4. Unilateral Trade

Answer :-

1. International Trade

16. _____ refers to the tax imposed on imports.

1. Imported Tax
2. Tariffs
3. Subsidies
4. Import Quotas

Answer :-

1. Tariffs

17. _____ means selling the products at a price less than on going price in the market.

1. Quota
2. Tariff
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4. Dumping

Answer :-

1. Dumping

18. _____ is the oldest International Trade theory.

1. Country Similarity Theory
2. Theory of Absolute Cost advantage
3. Product Life Cycle Theory
4. Mercantilism Theory

Answer :-

1. Mercantilism Theory

19. A voluntary export restraint is the opposite form of _____.

1. Import quotas
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Answer :-

1. Import quotas

20. The international trade between _____ is like a vast game of beggar my neighbor.

1. Exporter & Importer
2. Two Countries
3. Two world wars
4. Country's allies and enemies

Answer :-

1. Two world wars

21. ____ is a group of countries agree to abolish all trade restrictions and barriers.

1. Common market
2. Economic Union
3. Custom Union
4. Free Trade Area

Answer :-

1. Free Trade Area

22. EU stands for _____

1. Export Union
2. European Union
3. EXIM Union
4. Export Unit

Answer :-

1. European Union

23. The abbreviation SAARC stands for _____

1. South American Association for Regional Cooperation
2. South African Association for Regional Cooperation
3. South ASEAN Association for Regional Cooperation
4. South Asian Association for Regional Cooperation

Answer :-

1. South Asian Association for Regional Cooperation

24. The full form of WTO is _____

1. World Tariff Organization
2. World Trade Organization
3. Western Trade Organization
4. World Transport Organization

Answer :-

1. World Trade Organization

25. _____ was replaced by WTO on January 1, 1995.

1. NAFTA
2. IMF
3. IRDB
4. GATT

Answer :-

1. GATT

26. In International Trade, Full form of NAFTA is _____.

1. National American Free Trade Agreement
2. North Asian Free Trade Agreement
3. New Anti-Tariff Free Trade Agreement
4. North American Free Trade Agreement

Answer :-

1. North American Free Trade Agreement

27. AFTA is _____.

1. ASEAN Free Trade Area
2. American Free Trade Area
3. Asian Free Trade Area
4. Agreement for Free Trade Area

Answer :-

1. ASEAN Free Trade Area

28. ASEAN stands for _____.

1. The Association of Southeast American Nations
2. The Association of Southeast Asian Nations
3. The Agreement of Southeast American Nations
4. The Agreement of Southeast Asian Nations

Answer :-

1. The Association of Southeast Asian Nations

29. _____ was established by a multilateral treaty of 23 countries in 1947.

1. WTO
2. UN
3. GATT
4. NAFTA

Answer :-

1. GATT (The General Agreement on Tariffs and Trade)

30. In International Trade, IMF stands for _____.

1. International Monetary Fund
2. International Money Fund
3. International Market Fund
4. International Monetary Firm

Answer :-

1. International Monetary Fund

QUESTION

ANSWER

<p>Transportation cost of trade affects:</p> <p>a) pattern of trade b) boundaries between tradable and non-tradable goods c) Global supply chains d) all of the above</p>	<p>d) all of the above</p>	
	<p>Underlying the application of the monopolistic competition model to trade is the idea that trade:</p> <p>a) increases market size b) allows companies to charge higher price c) increases consumer choices d) decreases the number of firms in an industry</p>	<p>a) increases market size</p>
	<p>A no-trade world will have which of the following characteristics:</p> <p>a) Countries will have same relative endowments of production factors b) Consumers across countries will have identical and homogenous tastes c) There will be no distortions or externalities d) all of the above</p>	<p>d) all above</p>
	<p>Which of the following trade policies limits specified quantity of goods to be imported at one tariff</p>	<p>a) Quota</p>

<p>rate.</p> <p>a) Quota</p> <p>b) Import tariff</p> <p>c) Specific tariff</p> <p>d) All of the above</p>	
<p>In the 2-factor, 2 good Heckscher-Ohlin model, the two countries differ in</p> <p>a) Military capabilities</p> <p>b) labour productivities</p> <p>c) relative availabilities of factors of production</p> <p>d) tastes</p>	<p>c) relative availabilites of factors of production</p>
<p>Since 1980s which of the following changes has happened in the world trade?</p> <p>a) Share of "north-north" trade has decreased in total merchandise exports</p> <p>b) Share of "south--south" trade has increased in total merchandise eports</p> <p>c) share of agriculture produce has decreased in total merchandise exports</p> <p>d) all of the above</p>	<p>d) all of the above</p>
<p>According to Ricardo, a country will have a comparative advantage in:</p> <p>a) Industries in which there are neither imports nor exports</p> <p>b) import competing industries</p> <p>c) Industries that sell to domestic and foreign buyers</p> <p>d) industries that sell to only foreign buyers</p>	<p>c) industries that sell to domestic and foreign buyers</p>
<p>Nations conduct international trade because:</p> <p>a) Some nations prefer to produce one thing while others produce other things.</p> <p>b) Resources are not equally distributed among all trading nations.</p> <p>c) Trade enhances opportunities to accumulate profits.</p> <p>d) Interest rates are not identical in all</p>	<p>b) Resources are not equally distributed among all trading nations.</p>

trading nations	
<p>Which of the following is a determinant of trade?</p> <p>a) Tastes b) Per capita income c) Technological change</p> <p>d) All of the above</p>	d) All of the above
<p>International Trade is most likely to generate short-term unemployment in:</p> <p>a) Industries in which there are neither imports nor exports b) Import-competing industries c) Industries that sell to domestic and foreign buyers. d) Industries that sell to only foreign buyers</p>	b) Import-competing industries

According to the theory of comparative advantage, which of the following is NOT a reason why countries trade?

a) Costs are higher in one country than in another.
b) Prices are lower in one country than in another.
c) The productivity of labour differs across countries and industries.

d) Exports give a country a political advantage over other countries that export less.

d) Exports give a country a political advantage over other countries that export less.

The reason why international trade has strong effects on the distribution of income is because:

a) Resources cannot move immediately or without cost from one industry to another.

b) Industries differ in the factors of production they demand

c) both a & b

<p>c) both a & b</p> <p>d) Trade has no effect on distribution of income.</p>	
<p>New trade theory assumes the following:</p> <p>a) Increasing returns to scale b) Imperfect competition</p> <p>c) Product differentiation</p> <p>d) all of th above</p>	<p>d) all of the above</p>
<p>A vertical foreign direct investment (FDI) is:</p> <p>a) breaking up the production chain and parts being transferred to the affiliated location b) Mainly driven by production cost differences between countries. c) both a and b d. none of the above</p>	<p>c) both a & b</p>
<p>Which of the following is not a benefit of international trade?</p> <p>a) High wage levels for all domestic workers</p> <p>b) Lower domestic prices c) Development of more efficient methods and new products. d) A greater range of consumption choices.</p>	<p>a) High wage levels for all domestic workers</p>
<p>Bangladish is relatively abundant in labour, while Canada is relatively abundant in capital. In both countries the production of shirts is relatively more labour intensive than the production of computers. According to the factor endowment theory, Bangladish will have a(n)</p>	<p>a) Absolut advantage in production of shirts and computers. b) Absolute advantage in prodcution of computers c) Comparative advantage in production of shirts. d) Comparative advantage in production of computers.</p>
<p>Which of the following policies permits a specifid quantity of goods to be improted at one tariff rate and applies a higher tariff rate to imports avobe this quantity?</p> <p>a) Tariff quota</p>	<p>a) Tariff quota</p>

<p>b) Import tariff c) Specific tariff d) All of the above</p>	
<p>A country's workers union attempted to win the approval of legislation that would moderate the practice of foreign sourcing on the part of auto manufacturers. Which of the following best represents this legislation.</p>	<p>a) Voluntary export quotas b) export subsidies c) tariff quotas d) local content requirement</p>
<p>Which of the following explains intra-industry trade.</p> <p>a) Wrong industrial classification b) Product differentiation c) Economics of scale d) All of the above</p>	<p>d) All of the above</p>
<p>Free traders maintain that an open economy is advantageous in that it provides all of the following except:</p> <p>a) Increased competition for world producers b) A wider selection of products for consumers c) The utilization of the most efficient production methods. d) Relatively high wage levels for all domestic workers.</p>	<p>d) Relatively high wage levels for all domestic workers.</p>
<p>The fact that Germany both imports and exports cars is an example of:</p>	<p>a) Intraindustry trade</p>

- a) Intraindustry trade
- b) Interindustry trade
- c) Perfect competition.
- d) Imperfect competition.

Who benefits from tariff protection?

- a) Domestic consumers on the good produced
- b) Domestic producers of the good produced
- c) Foreign producers of the good produced
- d) Foreign consumers of the good produced.

b) Domestic producers of the good produced?

A closed economy is one in which:

- a) Imports exactly equal exports, so that trade is balanced.
- b) Domestic firms invest in industries overseas.
- c) The home economy is isolated from foreign trade
- d) Saving exactly equals investment at full employment.

c) The home economy is isolated from foreign trade.

Which of the following statements would a mercantilist NOT agree with?

- a) Imports are desirable
- b) Trade is a zero-sum activity.

a) Imports are desirable.

- c) The purpose of trade is to amass revenues from exports.
- d) Policies should promote exports and discourage imports.

Which of the following is one of the conclusions of New Trade Theory?

- a) Countries as a whole must gain from trade.
- b) A country can only hurt itself by using government policies to promote exports.
- c) Consumers gain from the increased variety of goods that trade makes available
- d) A country may export a good or import it, but not both.

c) Consumers gain from the increased variety of goods that trade makes available

Total value of annual global trade - in recent years - is most likely to be:

- a) € 40 billion
- b) € 40 trillion
- c) € 4 billion
- d) € 4 trillion

b) 40 trillion

According to the Ricardo's principle, specialisation and trade increase a nation's total output since:

- a) Resources are directed to their highest productivity
- b) The output of the nation's trading partner declines
- c) The nation can produce outside of its production possibilities curve.

a) Resources are directed to their highest productivity

<p>d) The problem of unemployment is eliminated.</p>	
<p>What determines the pattern of specialisation and trade in industries with external economies of scale?</p> <p>a) Product differentiation</p> <p>b) Monopolistic competition</p> <p>c) Historical contingency</p> <p>d) None of the above</p>	<p>c) historical competition</p>
<p>The reason why a cluster of firms may be more efficient than in individual firm is because a cluster enables:</p> <p>a) Specialised suppliers</p> <p>b) Imperfect competition</p> <p>c) Product differentiation</p> <p>d) All of the above</p>	<p>d) all of the above</p>
<p>A horizontal foreign direct investment (FDI) is</p> <p>a) Starting a similar production process (by the parent firm) elsewhere in the world</p> <p>b) Locating a production near a firm's large customer bases.</p> <p>c) Both a and b.</p> <p>d) None of the above.</p>	<p>c) both a & b</p>

David Ricardo's trading principle emphasis the:

c) Role of comparative costs

- a) Demand side of the market
- b) supply side of the market
- c) role of comparative costs
- d) role of absolute costs

Under Heckscher-Ohlin Model, international trade can lead to increases in:

- a) Consumer welfare only if output of both products is increased
- b) Output of both products and consumer welfare in both countries
- c) Total production of both products, but not consumer welfare in both countries
- d) Consumer welfare in both countries, but not total production of both products.

b) Output of both products and consumer welfare in both countries

A main advantage in specialisation results from:

- a) Economies of large-scale production
- b) The specializing country behaving as monopoly
- c) Smaller production runs resulting in lower unit costs.
- d) High wages paid to foreign workers.

a) Economies of large-scale production

A country's workers union attempted to win the approval of legislation that would moderate the practice of foreign sourcing on the part of auto manufacturers. Which of the following best represents this legislation?

- a) Voluntary export quotas

b) Export subsidies

c) Tariff quotas

d) Local content requirement