



INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Materials Management
Graduate Diploma in Materials Management

Dec 2011

PAPER No. 7

International Trade

Date : 12.12..2011

Max. Marks :100

Time : 10.00a.m. to 1.00 p.m.

Duration : 3 Hrs.

Instructions :

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| 1. From Part A – answer all questions (compulsory). Each sub questions carries 1 mark. | Total : 32 Marks |
| 2. From Part B – Answer any 3 questions out of 5 questions. Each sub-question carries 16 marks. | Total : 48 Marks |
| 3. Part C is a case study (compulsory) with questions. Read the case study carefully and answer the questions. | Total: 20 Marks |
| 4. Please read the instructions given in the answer sheet | |

Part – A (attempt all questions)

1. Select the correct option:

- a. Consumers in different countries differ in the speed with which they adopt new products, because of:
 - i. economic reasons
 - ii. attitudes toward new products
 - iii. both of the above
 - iv. none of the above
- b. Import substitution aims at:
 - i. reducing imports of manufactures
 - ii. saving foreign exchange
 - iii. reducing jobs
 - iv. reducing dependency n other countries
- c. The balance of trade forms part of the
 - i. current account
 - ii. capital account
 - iii. none of the above
 - iv. both of the above

- d. which of the following is not an accounting convention:
- i. convention of consistency
 - ii. convention of separate entity
 - iii. convention of materiality
 - iv. none of the above

State True or False:

- e. The theory of relative advantage refers to the ability of a party to produce a particular good or service at a lower opportunity cost than another party.
- f. The Exim Policy is now known as the Foreign Trade Policy.
- g. A Bill of Entry is a statement of the nature and value of goods to be imported or exported, prepared by a customhouse and presented to the shipper.
- h. Budget quotas are set for various units in sales organization to control expenses, gross margins, or net profit.

2. Match the following:

Column "A"	Column "B"
a. Bill of entry	i. Shipment bill
b. Sales volume quota	ii. How much for what period
c. Subsidy	iii. Financial assistance paid to a business or economic sector
d. GATT/WTO	iv. Global trading system
e. NAFTA	v. Regional trade block
f. Trade deficit	vi. Imports exceed exports
g. EPCG	vii. Export promotion scheme
h. European monetary system	viii. Stable exchange rate

3. Fill in the blanks:

- a. _____ refers to long term participation by country A into country B.
- b. _____ is an Act to facilitate imports into, and augmenting exports from, India.
- c. The two principal divisions on the BOP are the current account and the _____.
- d. The _____ is the difference between the monetary value of exports and imports of output in an economy over a certain period.
- e. _____ and _____ are usually associated with protectionism, the economic policy of restraining trade between nations.
- f. Subsidies are made by the _____ to prevent decline of an industry.
- g. _____ implies a negative balance of trade.
- h. A _____ is a contract between two parties to buy or sell an asset at a specified future time at a price agreed today.

4. Give the full forms:

a.	ADB	b.	UNCTAD	c.	IBRD	d.	GATT
e.	SAFTA	f.	ASEAN	g.	SEZ	h.	ECGC

Part – B (answer any 3)

5. a. Write a detailed note on the necessity and economic benefits of international and foreign trade.
b. "The study of international business is fine if you are going to work in a large MNC, but it has no relevance for individuals who are going to work in small firms." Comment.
6. a. In the light of the theory of comparative advantage, comment on the pros and cons of free trade.
b. Whose interests should be the paramount concern of government trade policy – the interests of producers or those of consumers? Discuss.
7. a. Firms should not be investing abroad when there is a need for investment to create jobs at home. Do you agree? Explain.
b. Write a detailed note on the Exim policy of India.
8. a. Discuss in detail the problems associated with international purchasing.
b. What is GATT? Comment on the origin and functions of WTO.
9. Write short notes on ANY FOUR of the following:
 - a. Customs clearance procedures
 - b. SAARC
 - c. EPCG scheme
 - d. Trade deficit
 - e. European monetary system

Part – C (compulsory)

10. India is a giant market. An estimated 300 million people belong to what is called the middle-class. 'Capitalism Consumerism' is a characteristic of this category. Another 700 million consumers exist in rural India. Each of the above segments makes for bigger population than the rest of the world, except China.

Irrespective of what some commentators have said, Indian firms are successfully competing across entire value-chains spanning sectors. With more millionaires living in rural areas than in urban, companies are realizing the existence of huge untapped market. Appropriately several banking, FMCG, healthcare, automobile, consumer durable companies have launched innovative strategies and products tailored for them. Among these are the Unilevers, ITC, ICICI Bank, State Bank of India, P&G, LG, Samsung, Hero Honda, Maruti Suzuki, Tata Motors, etc. The transformation in India in the early years of the 21st century is remarkable! Wherever one goes, in remote villages or urban townships, one can see thousands of self-employed young men and women trying to learn more of the new skills for employability in modern-day complex businesses.

- a. What do you understand by the term 'Consumerism?' Explain its significance in the context of international trade. (6 marks)
- b. Keeping in view the rate at which the Indian economy is growing, Indian MNCs should concentrate on consolidating their operations at home instead of thinking of expanding in foreign markets. What are your views in this regard?(6 marks)
- c. How should the government shape its international trade policies so as to achieve the goal of making India an economic superpower by the year 2030? (8 marks)
