



MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

FOURTH YEAR FIRST SEMESTER EXAMINATIONS FOR THE
DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION
WITH INFORMATION TECHNOLOGY

HOMA-BAY CAMPUS

ABA 422: INTERNATIONAL TRADE

Date: 10th December, 2016

Time: 9.00 - 12.00 noon

INSTRUCTIONS:

- Answer question ONE and any other THREE questions.
- Question one carries 30 marks and the rest 20 marks each
- Marks will be awarded for being neat, clear and use of relevant illustrations.



QUESTION ONE

- (a) Describe the classical theory of international trade and highlight its assumptions. (10marks)
- (b) What is 'infant-industry argument'? Why is this argument discredited? (5marks)
- (c) Critically examine the validity of comparative costs doctrine as an explanation of international trade (10marks)

QUESTION TWO

- (a) Discuss the determinants of gain from international trade (10marks)
- (b) What are the main determinants of terms of trade? (5marks)

QUESTION THREE

- (a) Explain the factors contributing to changes in the demand for foreign exchange and give critical evaluation of these factors (10marks)
- (b) Explain the case for fixed exchange rate policy (10marks)

QUESTION FOUR

Discuss the causes of disequilibrium in the balance of payments and suggest correction measures (15marks)

QUESTION FIVE

Critically examine the arguments for and against trade protection. Why is trade protection desirable for the less developed countries? (15marks)

QUESTION SIX

- (a) Explain the concept of purchasing power parity theory and its criticisms (10marks)
- (b) What are the causes of instability in the rate of exchange during the short period? (5marks)