



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

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

CITY CAMPUS—EVENING

ABA 422: INTERNATIONAL TRADE

Date: 17th July, 2017

Time: 5.30 - 8.30 pm

INSTRUCTIONS:

- Answer question ONE and any other TWO questions
- Question one carries 30 marks and the rest 20 marks each.
- Do not write on a question paper.



SECTION A

Q1(a) Explain the meaning of International Trade (2 marks)

(b) Distinguish between Internal Trade and External Trade (4 marks)

(c) Describe the various forms of economic integration in East and Central Africa (10 marks)

(d) "David Ricardo stated that other factors being constant a Country tends to specialize in and export those commodities in the production of which it has maximum comparative cost advantage".

By the use of cost ratios of producing Rice and cloth explain comparative cost difference in International Trade (14 marks)

SECTION B

Q2(a) Critically discuss the gain that arises from International Trade to the economy of Kenya (14 marks)

(b) Distinguish between specific duty and sliding scale duty (5 marks)

Q3. With the help of appropriate diagrams, explain seven (7) Effects of tariffs to the developing Countries (20 marks)

Q4(a) Describe the variables in the following formula:

$$T_c = \frac{P_x}{P_m} \quad (4 \text{ marks})$$

(b) Suppose the price index of imports and exports in Kenya in the base year 2010 is 100 and in 2016 the price index of imports and exports are 120 and 160 respectively

Required:

Calculate net barter terms of trade (4 marks)

(c) Critically examine Gross barter terms of trade (12 marks)

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- Q5(a) Explain the meaning of Balance of Payments (1 mark)
- (b) Discuss the causes of disequilibrium in balance of payments (10 marks)
- (c) Critically explain the following in relation to General Agreement on Trade and Tariffs (G.A.T.T)
- (i) Origin (4 marks)
- (ii) Objectives (5 marks)