



MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

**FOURTH YEAR SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE IN
MATHEMATICS & ECONOMICS WITH INFORMATION
TECHNOLOGY**

MAIN CAMPUS

ABA 422: INTERNATIONAL TRADE

Date: 4th August, 2017

Time: 3.30 - 6.30pm

INSTRUCTIONS:

- Answer Question ONE (Compulsory) and any other THREE



Question One

a) Discuss any three assumptions for basic general equilibrium model (9 Marks)

b) Explain the following concepts of international economics;

i) Autarky (3 Marks)

ii) Division of labour (3 Marks)

iii) Comparative advantage (3 Marks)

c) Using a suitable diagram, explain how market forces interact to make consumption equal to production (7 Marks)

Question Two

"Absolute advantage is a basis for trade." Discuss using any hypothetical illustration

(15 Marks)

Question Three

Explain the characteristics of classical international trade solutions

(15 Marks)

Question Four

a) "Trade increases world output. Do all countries gain?" Discuss

(9 Marks)

b) Use a suitable illustration to show the relationship between wages

and trade

(6 Marks)

Question Five

a) "Under constant opportunity cost, when trade is allowed, the relative price after specialization may rise." Discuss (10 Marks)

b) Outline the assumptions of Heckscher Ohlin model (5 Marks)

Question Six

- a) Using a suitable diagram, explain the effects of imposing a quota on trade (9 Marks)
- b) Discuss suitable policy regulations that can promote trade among developing countries (6 Marks)