

THE OPEN UNIVERSITY OF SRI LANKA
M.SC IN ENVIRONMENTAL SCIENCES
LEVEL 9 – 2018/2019
DSP9502 – ENVIRONMENTAL ECONOMICS AND MANAGEMENT
NO BOOK TEST II



DURATION: ONE HOUR & 30 MINUTES (1 ½ HOUR)

Date: 10.08.2019

Time: 1.00 p.m – 02.30 p.m

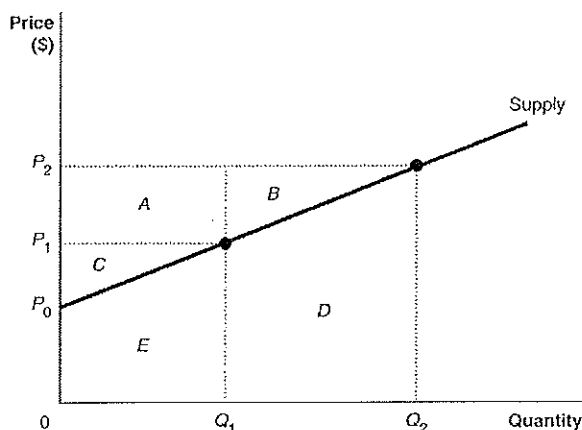
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Instructions

- Part one- MCQs (answer all questions) – $10 \times 4 = 40$ marks
- Please attach the part I to the part II answer script
- Part two – answer any three (03) questions (20 marks each)

PART I

- Underline the correct answer
1. The total amount of producer surplus in a market is equal to
 - a) the difference between quantity supplied and quantity demanded.
 - b) the area above the market supply curve and below the market price.
 - c) the area above the market supply curve.
 - d) the area between the demand curve and the supply curve below the market price.
 2. When a competitive equilibrium is achieved in a market
 - a) all individuals are better off than they would be if a price ceiling or price floor was imposed by government.
 - b) the total net benefit to society is maximized.
 - c) the total benefits to consumers are equal to the total benefits to producers.
 - d) economic surplus equals the deadweight loss.



3. Refer to the above Figure. What area represents producer surplus at a price of P_2 ?
- $A + B$
 - $B + D$
 - $A + B + C$
 - $A + B + C + D + E$
4. Simply asking people how much they value a highway is not a reliable way of measuring the benefits and costs because
- those who stand to gain have an incentive to tell the truth.
 - those who stand to lose have an incentive to exaggerate their true costs.
 - answers to the survey questions will always be downwardly biased.
 - not everyone asked will be using the highway
5. When technology spill over occurs,
- it is the government's responsibility to own firms that are engaged in high-tech research.
 - a firm's research yields technological knowledge that can then be used by society as a whole.
 - those firms engaged in technology research should be taxed by the government.
 - firms invest in the latest production technology and the cost of that technology "spills over" to the prices consumers must pay for the product
6. Altering incentives so that people take account of the external effects of their actions
- is called internalizing the externality
 - can be done by imposing a corrective tax.
 - is the role of government in markets with externalities.
 - all of the above

7. An FM radio signal is an example of a good that is
- a) private.
 - b) nonrival in consumption.
 - c) social.
 - d) nonexcludable in production.
8. Which of the following is a *disadvantage* of government provision of a public good?
- a) The government lacks information about what people are willing to pay for the good.
 - b) The government does not provide enough of any public good.
 - c) The private sector can provide all public goods at a lower cost.
 - d) None of the above is a disadvantage.
9. Cost-benefit analysis is important to determine the role of government in our economy because
- a) the government should provide all goods for which the benefits exceed the costs.
 - b) cost-benefit analysis identifies the possible gains to society from government provision of a particular good.
 - c) markets for private goods cannot effectively assign costs and benefits.
 - d) cost-benefit analysis is the best tool to identify market failures.
10. Tradable pollution permits
- a) are widely viewed as a cost-effective way to reduce pollution
 - b) have helped reduce carbon emissions.
 - c) have helped reduce sulfur dioxide emissions.
 - d) all of the above are correct.

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PART II

- Answer three (03) questions only.

1. Briefly describe the significance of environmental valuation. (20 marks)
2.
 - a) Distinguish market and non-market valuation techniques. (05 marks)
 - b) Briefly explain different stages of conducting the Contingent Valuation Method. (15 marks)
3. "Cost benefit analysis is a useful strategic approach to environmental decision making". Critically analyse this statement. (20 marks)
4. Briefly, explain the market-based instruments available to influence environmental pollution. (20 marks)
5. Write short notes on any two (02) of the following. (20 marks)
 - i. Travel cost method
 - ii. Validity and reliability in the Contingent Valuation Method
 - iii. Comparing benefits and costs across time
 - iv. Command and control approach
 - v. Emission charge

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