



THE OPEN UNIVERSITY OF SRI LANKA

MASTER OF SCIENCE DEGREE IN ENVIRONMENTAL SCIENCE, LEVEL 7

ENVIRONMENTAL ECONOMICS AND MANAGEMENT-NEP 1208

OPEN BOOK TEST, 2016/2017

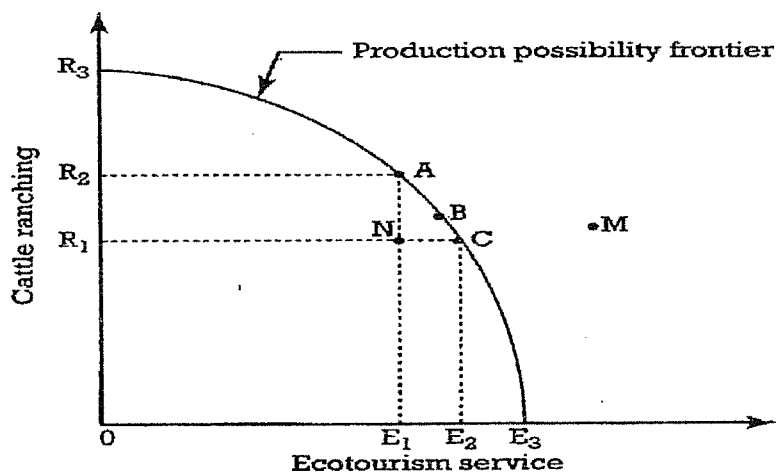
DURATION-ONE AND HALF HOURS (1½ HOURS)

Date: 12. 02. 2017

Time: 1.00- 2.30

Answer three (03) questions including question 1.

1. Answer the questions using the following diagram



- What can we learn about choice, opportunity cost, efficiency and inefficiency using the concept of the Production Possibility Frontier? (20 marks)
- What is the opportunity cost of producing OR_2 of cattle ranching? (10 marks)
- What factors that will led to reach the .M situation (10 marks)

2. Explain the advantages of the materials balance model using with a diagram? (30 marks)
3. a. Differentiate between the meaning of the expressions “change in demand” and “change in the quantity demanded” with a diagram. (15 marks)
b. “Every country must decide what to produce, how to produce, and for whom to produce” Explain. (15 marks)
4. i. Define market failure (10 marks)
ii. Give examples of market failure in the context of externalities? (20 marks)
5. Draw hypothetical supply and demand curves for coffee market. Show how the equilibrium price and quantity will be affected by each of the following occurrences. Draw a different diagram for each answer. (30 marks)
 - i. Bad weather conditions havoc with the coffee crop.
 - ii. A medical report implying tea is good for your health.
 - iii. A technological innovation drops the cost of producing coffee.
 - iv. Consumers’ income falls.