

PART - 02

NBT I NEP/208  
25<sup>th</sup> March 2017

Instructions:

➤ Answer three (03) questions only.

1. Explain that how
  - i. buyers' willingness to pay, consumer surplus, and the demand curve are related.
  - ii. sellers' costs, producer surplus, and the supply curve are related.
  
2.
  - i. What was the basis for Coase's belief?
  - ii. Under what circumstances does the Coase theorem apply?
  
3.
  - i. Define the Travel Cost Method (TCM)
  - ii. Examine the limitations of the Travel Cost Method (TCM)
  
4. Discuss the relevance and application of the concept of externalities in environmental economics. Use a suitable diagram to answer this question.
  
5.
  - i. Write the reasons for valuing the environment.
  - ii. Discuss how economic valuation of natural resources could be applied in policy making process in Sri Lanka.
  
6.
  - i. "Where markets do not exist for an environmental good or service, its value (i.e. opportunity cost) is not evident" Explain.
  - ii. What happens to the level of output produced when there is a discrepancy between private and social costs? Use a diagram to answer this question.

\*\*\*\*\**Copyrights Reserved*\*\*\*\*\*