

KATHMANDU UNIVERSITY
 End Semester Examination
 August/September, 2017

AUG 31 2017

Level : B. Sc.

Year : III

Course : ENVS 303

Semester : II

Exam Roll No. :

Time: 30 min

F. M. : 20

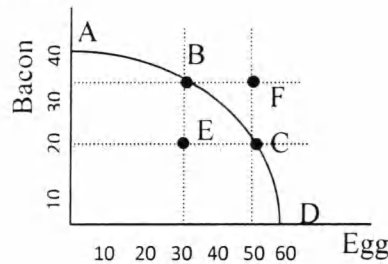
Registration No.:

Date :

SECTION "A"

[20 Q × 1 = 20 marks]

- Economics is the study of
 - how society manages its unlimited resources.
 - how society manages its scarce resources.
 - how to fully satisfy our unlimited wants.
 - how to reduce our wants until we are satisfied.
- If an increase in the price of blue jeans leads to a decrease in the demand for tennis shoes, then blue jeans and tennis shoes are
 - normal goods.
 - inferior goods.
 - substitutes.
 - complements.
- If demand is linear (a straight line), then price elasticity of demand is
 - elastic in the upper portion and inelastic in the lower portion.
 - inelastic in the upper portion and elastic in the lower portion.
 - constant along the demand curve.
 - elastic throughout.
- A toy manufacturing company has a capacity of 300,000 units annually. The fixed cost of the production line is \$200,000 per year with a variable cost of \$4 per unit and revenues of \$7 per unit. The percent of capacity that must be utilized for the company to breakdown is closest to:
 - 31
 - 22
 - 39
 - 46
- If the economy were operating at point E,



- the opportunity cost of 20 additional units of eggs is 10 units of bacon.
 - the opportunity cost of 20 additional units of eggs is 20 units of bacon.
 - the opportunity cost of 20 additional units of eggs is 30 units of bacon.
 - 20 additional units of eggs can be produced with no impact on bacon production.
- How long will it take for \$7000 to double, at a rate of 8 percent?
 - 9 years
 - 12 years
 - 15 years
 - 21 years
 - If sales of Kent water purifier is 106 during January, 120 in February, 134 in March, and 142 in April, what will be in May according to three point moving average.
 - 126
 - 138
 - 142
 - 132

8. The marginal product of labor as production moves from employing one worker to employing two workers is

Number of Workers	Output
0	0
1	23
2	40
3	50

- a. 0
b. 10
c. 17
d. 23
9. If a buyer's willingness to pay for a new Honda is €20,000 and she is able to actually buy it for €18,000, her consumer surplus is
- a. €2,000.
b. €18,000.
c. €20,000.
d. €38,000.
10. The value we place on an asset now as regards functions which might be exploited some time in the future is referred as
- a. Existence value
b. Pigouvian
c. Tradeable permits
d. Option value
11. In which three of the following ways might the environment be said to contribute to the circular flow of income?
- a) Providing consumer services of various types to domestic households
b) Providing household services to domestic firms
c) Providing natural resource inputs to domestic firms
d) Acting as a repository ('sink') for the waste products of domestic firms
e) Acting as a non-depletable resource
- a. a), c) and e)
b. b), c) and e)
c. a), c) and d)
d. b), c) and d)
12. Economics approach is called anthropocentric because
- a. environmental resources are evaluated based on their uses to all living beings, human or non-human.
b. environmental resources are evaluated based on their uses to human beings.
c. even a small environmental degradation from an action is considered unacceptable, irrespective of the magnitude of benefits of the action to human beings.
d. even a large environmental degradation from an action is considered acceptable, if there are at least some benefits to human beings.
13. Why do Malthusian ideas keep coming back?
- a. His idea is proved correct in the majority of cases.
b. He believed that the end of the world will be at the beginning of 21st century.
c. He made accurate predictions and nobody opposed it.
d. People are pessimistic and cling to disastrous predictions for resources and environmental degradation.
14. Social MC of producing a good associated with negative externality exceeds private MC of producing that good. Therefore, market output of such goods, in the absence of government regulation, would be
- a. equal to the efficient level of output.
b. lower than the efficient level of output.
c. higher than the efficient level of output.
d. either higher or lower than the efficient level of output.
15. What is a market failure?
- a. Both consumers' and producer's surpluses are maximized.
b. Something prevents the market to allocate resources efficiently.
c. Free market of individuals acting in their own self interest leads to a socially-desirable result.
d. None of the answers is correct.

AUG 31 2017

16. In the case of a negative externality, the social marginal cost will
- a. fall short of private marginal cost.
 - b. be equal to private marginal cost.
 - c. exceed the private marginal cost.
 - d. bear no significant relation to private marginal cost.
17. In a public goods context, it is difficult to measure impact on real income because
- a. they make up a small percentage of total GDP.
 - b. inflation decreases the value of the good.
 - c. it is hard to measure how people value the public good.
 - d. public goods are generally free to the public.
18. The optimum level of economic activity and associated pollution from society's point of view occurs where:
- a. Marginal Social Benefit > Marginal Social Cost
 - b. Marginal Social Benefit < Marginal Social Cost
 - c. Marginal Private Benefit = Marginal Private Cost
 - d. Marginal Social Benefit = Marginal Social Cost
19. Which of the following is often referred to as the 'hedonic price' method for valuing environmental assets?
- a. Using 'existence value' to estimate the value of an environmental asset
 - b. Using 'willingness to pay' to value an environmental asset
 - c. Using linkages between variations in house prices and geographical proximity to an environmental asset
 - d. Using 'option value' to estimate the value of an environmental asset
20. In evaluating an alternative which has benefits, disbenefits and costs, the conventional B/C ratio is written as:
- a.
$$\frac{\text{Benefits}}{\text{Costs} - \text{Disbenefits}}$$
 - b.
$$\frac{\text{Benefits} - \text{Disbenefits}}{\text{Costs}}$$
 - c.
$$\frac{\text{Benefits} - \text{Disbenefits}}{-\text{Costs}}$$
 - d.
$$\frac{\text{Benefits} + \text{Disbenefits}}{\text{Costs}}$$

