



University of Benha  
Faculty of Commerce  
English Section  
Dept. of Economics

## Tutorial 6

### Resources and Environmental Economics

#### First Term 2019/2020

- 1) Attempts to quantify the consequences of various actions; places a large amount of relatively undigested information at the disposal of the policy-maker.
  - a) Time preference
  - b) Impact analysis
  - c) Equity analysis
  - d) Parento optimality
  
- 2) Static Efficiency occurs when we Allocate the use of resources over time so that the present value of the net benefits are maximized
  - a) True
  - b) false
  
- 3) Intangible benefits Cannot be assigned a monetary value.
  - a) True
  - b) false
  
- 4) Benefit-cost analysis should adopt \_\_\_\_\_ in evaluating benefits and costs of a public project.
  - a) Private perspective
  - b) social perspective
  - c) a or b above, as both perspectives lead to the same estimates.
  - d) None of the above perspectives
  
- 5) Conversion of future benefits (or future costs) to their present values is called
  - a) sensitivity analysis.
  - b) compounding.
  - c) discounting.
  - d) contingent valuation.

- 6) Comparison of net benefits of a project at different discount rates is called
- sensitivity analysis.
  - compounding.
  - discounting.
  - contingent valuation.
- 7) Which is the discount factor to calculate present value of an amount expected  $n$  years from now and discounted at a rate  $r\%$  per year?
- $(1+r)^n$
  - $1+(1+r)^n$
  - $1/(1+r)^n$
  - None of the above
- 8) What is the present value of \$121 expected two years from today at a discount rate of 10% per year?
- \$100
  - \$110
  - \$120
  - \$121
- 9) Real interest rate is
- the interest rate quoted by banks to depositors and borrowers.
  - the nominal interest rate minus the inflation rate.
  - the nominal interest rate plus the inflation rate.
  - equal to the nominal interest rate.
- 10) Which best describes the decision criterion for implementing a project?
- Benefits of the project should at least exceed its costs.
  - Net benefits of the project should at least exceed zero.
  - Benefit-cost ratio of the project should at least exceed one.
  - Any one of the above is a decision criterion, as one implies the other.
- 11) Appropriate risk preference approach to evaluate policies associated with risks of disastrous and irreversible damage to environment and human health is
- Risk neutrality.
  - Risk averseness.
  - Risk seeking.
  - Any of the above.
- 12) A person who compares expected values of risky outcomes and is indifferent between two games with the same expected value is considered
- When setting priorities for systems requests, the highest priority goes to projects that provide the \_\_\_\_\_.
- risk averse.
  - risk neutral.
  - risk seeker.
  - none of the above.

13) When setting priorities for systems requests, the highest priority goes to projects that provide the \_\_\_\_\_.

- a. least benefit, at the highest cost, in the longest period of time
- b. least benefit, at the lowest cost, in the longest period of time
- c. greatest benefit, at the highest cost, in the shortest period of time
- d. greatest benefit, at the lowest cost, in the shortest period of time

14) Impact analysis helps firms to:

- a) Identify the most probable opportunities and threats.
- b) Assess the impact of external forces on the business.
- c) Assess the ability of the business to deal with these external forces.
- d) Prioritize responses to the forces of the external environment.

15) Suppose a country uses its resources in a Pareto-efficient way. Which of the following statements is true?

- a) There might be inefficiency in production.
- b) There might be inefficiency in consumption.
- c) It might be possible to make one person better off without making another person worse off.
- d) There might be considerable inequality of income among the country's citizens.

16) Which of the following statements is the correct definition of market failure?

- a) It means that a market economy will fail to secure economic efficiency.
- b) It means that a market economy will fail to secure Pareto-efficiency.
- c) It means that a market economy will fail to secure productive efficiency.
- d) It means that a market economy will fail to secure technical efficiency.

17) *Physical projects* that involve.....

- a) Direct public production
- b) Public waste treatment plants
- c) Hazardous-waste incinerators
- d) All of the above

18) Regulatory programs are not aimed at enforcing environmental laws and regulations

- a) True
- b) False

19) Regulatory programs are those such as.....

- a) Land purchase for preservation.
- b) Habitat improvement projects
- c) Restrictions on land development
- d) Public waste treatment plants

20) Cost-benefit analysis, CBA, is the social appraisal of marginal investment projects, and policies, which have consequences not related to time

- a) True
- b) False

21) A key component of any measurement of inputs and outputs is their

- a) fixed costs
- b) time dimension
- c) revenues & profits
- d) None of the above

25) A project is deemed acceptable if the net present value is negative over the expected lifetime of the project.

- a) True
- b) False

26) Failing to use present values to discount future benefits can underestimate the value of a project.

- a) True
- b) False

24) One of the reasons that environmentalists have looked suspiciously at discounting is that it can have the effect of upgrading future damages that result from today's economic activity.

- a) True
- b) False

25) Suppose today's generation is considering a course of action that has certain short-run benefits of \$10,000 per year for 50 years, but which, starting 50 years from now, will cost \$1-million a year forever. This may not be too unlike the choice faced by current generations on discharging accumulative toxic wastes, or on greenhouse gas emissions from fossil fuel combustion. To people alive today the present value of that perpetual stream of future cost discounted at 10 percent is approximately \$85,000.10. These costs may not weigh particularly heavily on decisions made by the current generation.

From the standpoint of today, therefore, this might look like....., despite the perpetual, and potentially very large, cost burden placed on all future generations.

- a) good choice
- b) bad choice

26) When values of costs or benefits are not known with certainty, but are known with probability, .....are used.

- a) Present Value
- b) Expected values
- c) Net Present Value
- d) CBA

- 27) Social Decision Rule: Choose Q for which
- a)  $MSB = MSC$
  - b)  $MSB > MSC$
  - c)  $MSB < MSC$
  - d)  $NSB = TSB - TSC$
- 28) *Discount rate*: the interest rate that is used to discount current costs and benefits of a project.
- a) True
  - b) False
- 29) In conducting CBA, there is always some degree of uncertainty regarding the magnitude of impacts or the value assigned to each impact. ....is conducted to acknowledge this uncertainty
- a) Impact analysis
  - b) Sensitivity analysis
  - c) Descriptive analysis
  - d) Feasibility analysis
- 30) .....is an economic valuation to compare intervention options by comparing the gains to the costs of the intervention.
- a) Cost –Benefit analysis (CBA)
  - b) Benefit-cost Analysis
  - c) Cost Effectiveness Analysis (CEA)
  - d) None of the above
- 31) A standard analysis of ..... includes a “Performance Matrix” or evaluation matrix, and it can be graphically represented by mapping the distribution of the values of its criteria.
- a) Cost –Benefit analysis (CBA)
  - b) Benefit-cost Analysis
  - c) Cost Effectiveness Analysis (CEA)
  - d) Multi-criteria analysis (MCA)