



# MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

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## University Examinations 2023/2024

FIRST YEAR SECOND SEMESTER EXAMINATION FOR THE DIPLOMA IN  
ENVIRONMENTAL SCIENCE

### SEG 2151: APPLIED ENVIRONMENTAL ECONOMICS

ATE: APRIL 2024

TIME: 3 HOURS

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#### INSTRUCTIONS

1. This paper has two sections **A** and **B**.
2. You are provided with separate answer booklet.
3. Marks for each question are indicated.
4. **Do not write** on the question paper.

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#### SECTION A [40 Marks]

Answer **all** questions in this section

1. Economists have come up with some ethical issues about valuation of resources. Highlight **two** ethical issues about valuation of environmental resources (4 Marks)
2. By focusing on a particular activity, skill or process, specialization in the labor force can increase productivity and expertise. Highlight **four** principles of economic specialization (4 Marks)
3. Environmental resources can be classified according to use values (personal use) or non-use values. Outline two examples of classification of resources according to use values (4 Marks)
4. There are four sources of obtaining values/prices for natural resources provided by the public sector (i.e., government): Identify these **four** sources (4 Marks)

5. Travel cost method (TCM) is the most widely-used method for determining the demand for willingness to pay (WTP) for outdoor recreation sites. Outline **four** Key attributes/assumptions of TCM (4 Marks)
6. Price is dependent on the interaction between demand and supply components of a market. Briefly explain what is an **equilibrium price** as used in the market. (2 Marks)
7. Price mechanism is the means by which decisions of consumers and businesses interact to determine the allocation of resources. Highlight **four** advantages of price mechanism. (4 Marks)
8. Resource allocation is the assigning of available resources, or factors of production, to specific uses chosen among many possible alternatives It answers several economic questions. Outline **one** such question (2 Marks)
9. Highlight **four** disadvantages of price mechanism (4 Marks)
10. The balance of payments (BOP) is the method countries use to monitor all international monetary transactions in a specific period. Highlight **two** main division categories of BOP (4 Marks)
11. Distinguish the difference between exchange rate and Forex (4 Marks)

### **SECTION B (60 Marks)**

Answer any **three** questions in this section

12. When the market just isn't working out for the society's benefit, it's the government's duty to step in and intervene A government usually intervenes a given market in order to ensure balance, this can affect supply, demand, or the market as a whole.
  - a) Explain **four** types of government intervention (8 Marks)
  - b) Discuss **four** advantages of Government intervention (8 Marks)
  - c) Highlight **two** disadvantages of Government intervention (4 Marks)
13. Although countries benefit from trade and may want to increase their international trade volumes with other countries, there are some limitations to the volume they can trade.
  - a) In **two** points, describe barriers to trade (4 Marks)
  - b) Discuss **four** types of barriers to international trade (8 Marks)
  - c) Explain **four** effects of trade barriers (8 Marks)

14. International trade comes with a lot of benefits to the trading countries in terms of building up the economy. However, it is usually associated with a number of disadvantages.
- a) Discuss **five** advantages of International Trade (10 Marks)
  - b) Explain **five** disadvantages of International Trade (10 Marks)
15. The world has a number of international economic organizations which help in providing economic solutions to many trans-national economic issues. Discuss the;
- a) The World Bank (8 Marks)
  - b) International Monetary Fund (IMF) (6 Marks)
  - c) World Trade Organization (WTO) (6 Marks)

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*☪ALL THE BEST☪*