



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**THIRD YEAR FIRST SEMESTER EXAMINATION FOR DEGREE
OF BACHELOR OF SCIENCE IN AGRICULTURAL
ECONOMICS/AGRIBUSINESS MANAGEMENT WITH
INFORMATION TECHNOLOGY**

MAIN CAMPUS

AEG 304: INTRODUCTION TO RESOURCE ECONOMICS

Date: 3rd December, 2016

Time: 3.30 - 6.30pm

INSTRUCTIONS:

- Answer ALL Questions in section A and any TWO in section B.
- Carefully read and follow the instructions contained in the answer booklets provided.
- Marks for each question are indicated in brackets against the corresponding question.



28/11 3:30pm 55



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AEG 304: INTRODUCTION TO RESOURCE ECONOMICS

INSTRUCTIONS

1. Carefully **READ AND FOLLOW THE INSTRUCTIONS** contained in the answer booklet(s) you have been provided with.
2. This paper consists of two sections, Section 'A' and Section 'B'.
3. Answer **ALL** questions in Section A and **ANY TWO** Questions from Section B.
4. Marks for each question are indicated in brackets against the corresponding question.

SECTION A: COMPULSORY

1. Compare and contrast Thomas Malthus (1789) and Paul Ehrlich (1971) models of scarcity in natural resource management. **(6 marks)**
2. With the aid of graphical illustration, explain the welfare impacts of Pigouvian taxes as a way of internalizing the externalities. **(8 marks)**
3. A climate change project is to be started in Kitui County. Suppose that a particular emissions abatement strategy would result in a Ksh 500 Billion reduction in climate change damages 50 years into the future. How would the maximum amount spent now to eliminate those damages change if the discount rate is 2%, rather than 10%? **(6 marks)**
4. Explain 3 types of biases under Contingent Valuation Method. **(6 marks)**
5. What sorts of natural resources exist in terms of supply? **(4 marks)**

Where;

q = the number of miles preserved,

P = the per-mile price he or she is willing to pay for q miles of preserved river

Required:

- i. If the marginal cost of preservation is Ksh 500 per mile, how many miles would be preserved in an efficient allocation? **(8 marks)**
- ii. How large is the economic surplus? **(5 marks)**