

HS42- NPTEL  
INTRODUCTION TO ENVIRONMENTAL ECONOMICS  
WEEKLY ASSIGNMENTS ANSWER SHEET

Week 6\_Assignment6

**Q1. Which approach to measuring demand is based on actual consumer behavior?**

- a) Stated preference approach
- b) Revealed preference approach**
- c) Hedonic pricing method
- d) Contingent valuation method

**Q2. 'Public bads' refer to**

- a) Goods that are rival and excludable
- b) Environmental products that cause harm**
- c) Marketable goods with high demand
- d) Goods that can be easily traded

**Q3. Compensated demand function account for**

- a) Changes in consumer preferences over time
- b) Variations in income levels among consumers
- c) Changes in utility as prices change while keeping utility constant**
- d) The total market supply of environmental goods

**Q4. Which of the following is NOT a method used in the stated preference approach?**

- a) Contingent valuation method
- b) Choice modeling
- c) Market price analysis**
- d) Preference surveys

**Q5. .... concept describes the trade-off between conventional goods and environmental quality.**

- a) Opportunity cost**
- b) Market equilibrium
- c) Consumer surplus
- d) Utility maximization

**Q6. The household production approach assumes**

- a) Consumers will combine private and environmental goods to produce utility-enhancing products**
- b) Consumers prefer only conventional goods over environmental options
- c) Consumers do not consider environmental factors when making purchases
- d) Consumers have unlimited resources for purchasing both types of goods

**Q7. Which of the following are the correct statements for the Revealed Preference method? (MSQ)**

- a) It is also called a household production approach or market-based approach
- b) It is a method that determines the value that an individual holds for an environmental good by simply observing their purchase of those goods in the market that are directly/indirectly related to environmental quality
- c) It estimates values for levels of quality that have not been experienced and revealed by the market
- d) This is based on actual behavior and, hence, more credible for policy-making

**Q8. Which of the following is a valuation method under the stated preference method?**

- a) **Contingent valuation**
- b) Travel cost
- c) Hedonic price method
- d) Defensive expenditure

**Q9. The Hedonic price method is a \_\_\_\_\_ method of valuation.**

**Ans9. Revealed Preference**

**Q10. Which markets can use the hedonic price method to estimate economic values? (MSQ)**

- a) **Labour market**
- b) Perfect competition
- c) **Property market**
- d) Stock market