



Mid-Term answer key

FRST 318/537c - Forest and
Conservation Economics

Question 1

Which of the following does not affect the value of a property right

- a. The ability to transfer the right
- b. Benefits that can accrue from it
- c. The quality of enforcement of the right
- d. How long you've owned the right

Question 2

Which of following has not had a significant impact on the BC forest sector?

- a. Collapse of the US housing market
- b. Alberta's oil collapse**
- c. Growing influence of Asian, particular Chinese demand for resources
- d. Change in the level of the Canadian dollar relative to the US dollar

Question 3

Which forest tenure offers the highest degree of exclusivity?

- a. Replaceable Forest license
- b. Nonreplaceable Forest license
- c. Timber sale license (what BCTS uses)
- d. Tree Farm License

Question 4

Which of the following is not a reason why we use discount rates?

- a. To incorporate risk
- b. Time preference
- c. Accounting practices
- d. Opportunity cost

Question 5

It is possible to capture economic rent without causing any market distortions.

True

false

Question 6

Profit maximization

a. $MR=MC=P$ $Q=80$

$Profit=3200-(32*80)=640$

b. $Q=70$

Stumpage cost = $5*70=350$

$Profit=2800-(2170+350)=280$

c. $Q=80$

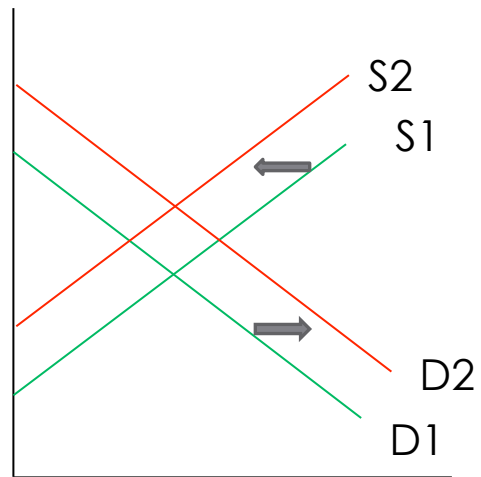
Total cost = $(32*80)+380=2940$

$Profit=3200-2940=260$

d. The one that gains more profit

Question 7

IKEA



- Quantity :undetermined
- Price : increase

Question 8

Mill

a. 2,000,000

b. 926,608

c. Selling: $926,608 + 1,000,000 = 1,926,608$

Running: $2,400,000 - 245,565 = 2,154,435$

d. Running at 2,154,435