

14 What is an example of an externality?

- A Production of good X directly affects the cost of producing good Y.
- B The entry of a new firm reduces the profits of existing firms producing good X.
- C The introduction of bus-only lanes reduces the travel times of bus passengers.
- D The opening of a new underground railway reduces the revenue of bus operators.

15 The table gives the estimated costs and benefits of a proposed new leisure complex.

	\$000s
private benefits	120
external benefits	80
private costs	140
external costs	20

What is the estimated value of the social benefits of the project?

- A \$40 000 B \$60 000 C \$80 000 D \$200 000

16 The production of what is **most** likely to require a government cost-benefit analysis?

- A houses
- B medicines
- C roads
- D schools

17 A national museum charges an entry fee for admission.

Which combination of rival and excludable qualities would apply to visits to the national museum on a day when there are very few visitors?

	rival	excludable
A	no	no
B	no	yes
C	yes	no
D	yes	yes