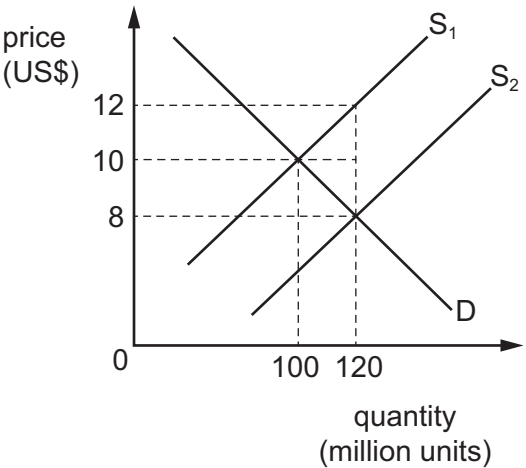


15 The diagram shows the effect of the government introducing a subsidy on a product.



What are the effects of the subsidy on government spending and consumer spending?

	government spending	consumer spending
A	increases by US\$240 million	decreases by US\$40 million
B	increases by US\$240 million	decreases by US\$200 million
C	increases by US\$480 million	decreases by US\$40 million
D	increases by US\$480 million	decreases by US\$200 million

16 In the diagram, S_1 and D_1 are the initial supply and demand curves of a product.

What would be the new supply curve following the removal of an ad valorem tax on the product?

