

- 15** A town council estimated the costs and benefits of operating a bus service in 2006 and 2007. These are shown in the table.

	2006 \$000	2007 \$000
private costs	2000	2200
external costs	500	900
private benefits	1500	2300
external benefits	1000	800

What can be concluded from the table?

- A** Between 2006 and 2007, social costs fell and social benefits rose.
  - B** Between 2006 and 2007, social costs rose and social benefits fell.
  - C** In both years, positive externalities exceeded negative externalities.
  - D** In both years, social costs equalled social benefits.
- 16** When would cost-benefit analysis definitely indicate that a government project should be approved?
- A** if it eliminated all external costs
  - B** if it gave a higher rate of return than a private sector project
  - C** if it maximised net social benefit
  - D** if it minimised total social cost
- 17** Why does the production of public goods have to be financed by the government?
- A** One person's consumption of a public good means it is not available for anyone else.
  - B** People are able to consume public goods without paying for them.
  - C** Private sector firms will charge a price significantly above cost for public goods.
  - D** The cost of producing public goods is higher in the private sector.