

CBA Practice Test Questions and Answers

1. What is the primary purpose of Cost-Benefit Analysis (CBA)?

- A) To determine project feasibility by comparing costs and benefits
- B) To calculate total project expenses
- C) To identify project stakeholders
- D) To establish project timelines

2. In CBA methodology, what does the benefit-cost ratio (BCR) measure?

- A) Total benefits minus total costs
- B) Total benefits divided by total costs
- C) Total costs divided by total benefits
- D) The percentage increase in benefits over costs

3. Which discount rate is commonly used to convert future values to present value in CBA?

- A) Prime interest rate
- B) Social discount rate or opportunity cost of capital
- C) Inflation rate
- D) Risk-free rate only

4. What are externalities in the context of Cost-Benefit Analysis?

- A) Direct project costs
- B) Indirect effects on third parties not directly involved in the project
- C) Administrative overhead costs
- D) Equipment depreciation costs

Answers: 1-A 2-B 3-B 4-B

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