Test for Chapter 3

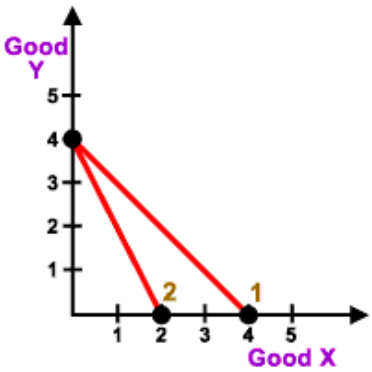
Take: 1 | 05/30/17

Directions:
Choose the best answer.

1)

Examine the graph below. If the price of good X is $1, and the consumer is using budget constraint 1, the price of good Y must be $2.

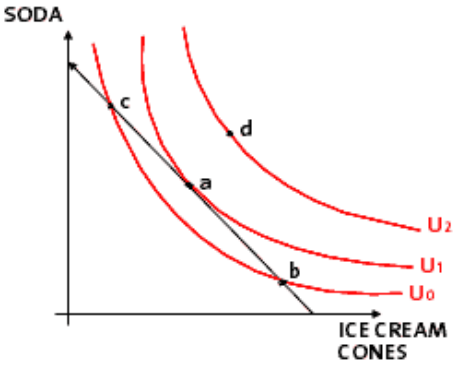
- true
- false



2)

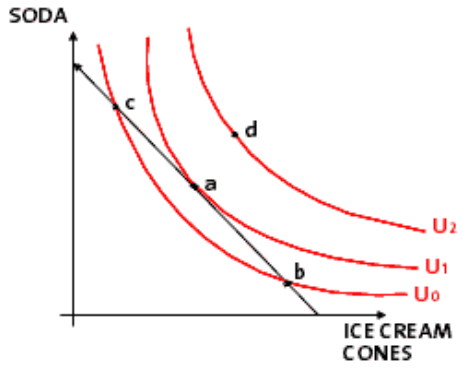
The marginal rate of substitution is greater than the slope of the budget constraint; that is, the consumer is willing to give up more soda than the market requires at point

- *a.*
- *b.*
- *c.*
- *d.*



3)

Refer to the graph below. U_0, U_1, and U_2 are indifference curves for a consumer choosing ice cream cones and soda. The equilibrium position for this consumer is



- any point on the budget constraint.
- point a.
- point d.
- point c.

4)

When the price of good *X* falls, more of that good will be consumed. To find the highest satisfaction from a combination of goods, the consumer will

- find any combination of goods that falls on the budget line.
- find a combination that falls on the new budget line and is tangent to an indifference curve.
- find a combination of goods that maximizes the consumer's utility within the constraint of his new budget.
- both B and C.

5)

An indifference curve that lies tangent to the budget constraint illustrates the combination of goods *X* and *Y* that provide the consumer the least satisfaction.

- true
- false

6)

Jack likes to play golf. Although he is experiencing diminishing marginal utility, his marginal utility remains positive. We can say that Jack's total utility is

- increasing at a decreasing rate.
- increasing at an increasing rate.
- decreasing at a decreasing rate.
- decreasing at an increasing rate.

7)

When marginal utility becomes negative, total utility begins to increase.

- true
- false

8)

Suppose Valerie is consuming one novel per week and one movie per week. Further assume that the marginal utility of novels is 40 utils, and the marginal utility of movies is 50 utils. If each novel and each movie costs $4.00, is Valerie attaining consumer equilibrium?

- Yes. She does not want to change her consumption.
- No. She needs to buy more novels and see fewer movies.
- No. She needs to buy fewer novels and see more movies.
- There is not enough information to answer the question.

9)

If a person is receiving greater utility per dollar from consuming apples than from consuming oranges, then the person is maximizing her total utility.

- true
- false

10)

The economic interpretation of an indifference curve is

- a map of the consumer's preferences.
- all combinations of two goods that a consumer can afford.
- the rate at which the consumer is willing to trade one good for another to remain equally satisfied.
- the maximum amounts of the two goods that the consumer will accept, given his/her budget.

11)

An indifference curve is a set of points representing combinations of _____ goods that a consumer finds _____ desirable and satisfying.

- three; unequally
- three; equally
- two; unequally
- two; equally

12)

When a consumer optimizes his/her satisfaction at a point at which an indifference curve is tangent to the budget constraint,

- the consumer can increase his/her satisfaction only by increasing his/her income.
- two indifference curves will intersect at the tangency point.
- the consumer cannot increase his/her income.
- the consumer is likely to be at a sub-optimal level of consumption.

13)

The slope of a consumer's budget constraint is the opportunity cost of buying one good in terms of how much of the other that he gives up.

- true
- false

14)

If a consumer's income increases, that consumer's budget constraint

- shifts inward toward the origin.
- does not change.
- pivots on the vertical axis.
- shifts outward away from the origin.

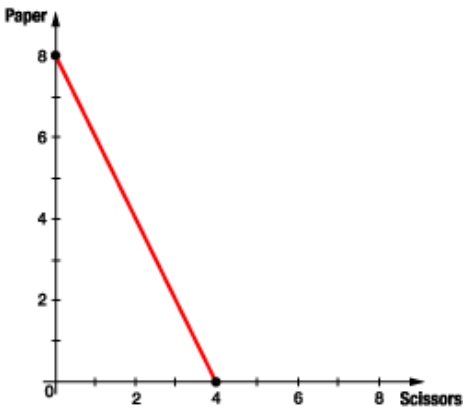
15)

When a consumer's income decreases, the consumer's budget constraint

- shifts outward.
- shifts inward.
- pivots on one of the axes.
- does not move.

16)

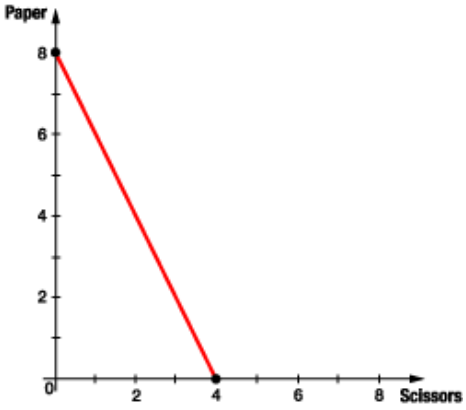
Examine the budget constraint for a consumer who has an income of $4. What is the price of paper?



- $2 each
- $0.50 each
- $4 each
- $1.50 each

17)

Examine the budget constraint. If the consumer has an income of $4, how many units of scissors can he or she buy after buying 6 units of paper?



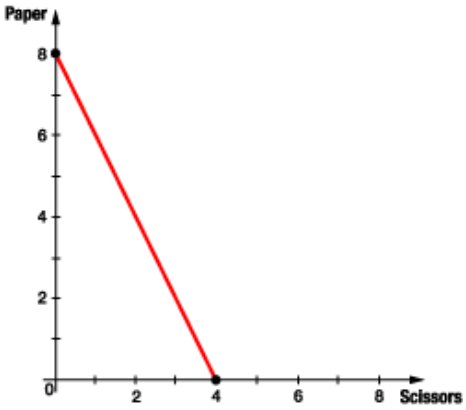
- 0
- 1
- 2
- 4

18)

The slope of a consumer's budget constraint represents the _____ of buying one good in terms of the quantity of the other good the consumer gives up.

19)

Examine the budget constraint for a consumer who has an income of $4. What is the slope of this constraint?



- −1/2
- 1/2
- −2
- 2

20)

If the total utility of one pie is 5 utils, and the total utility of two pies is 4 utils, the marginal utility of the second pie is

- 9 utils.
- 1 util.
- –1 util.
- –9 utils.

21)

Mary likes pie. Her total utility is the _____ satisfaction from eating _____ pie(s).

- additional; one more
- additional; all the
- total; one more
- total; units of

22)

In a two–good model, total utility is maximized when

- the marginal utilities per dollar spent on each good are equal.
- the total utilities per dollar spent on each good are equal.
- the marginal utilities per dollar spent on each good are maximized.
- the total utilities per dollar spent on each good are maximized.

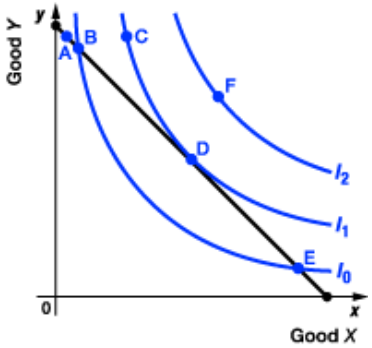
23)

If Bill is receiving a greater utility per dollar from consuming boats than from consuming houses, then Bill is **not** maximizing his total utility.

- true
- false

24)

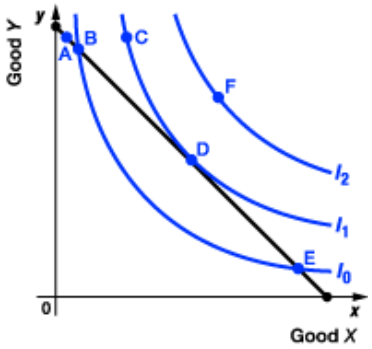
The consumer is willing to give up more of good *Y* to get more of good *X* than the market requires at point



- *F*.
- *B*.
- *D*.
- *E*.

25)

Examine the indifference map below. If this consumer is consuming combination *E*, then we can predict that he/she will eventually



- purchase more of good *X* and less of good *Y*.
- purchase more of good *Y* and less of good *X*.
- remain at this point.
- try to get to point *B* to maximize satisfaction.