

The progress of studies essay



**ASSIGN
BUSTER**

? Section 3 1- The word " utility" means a) quantity demanded. c) demand. b) benefit or satisfaction. d) goal. 2- The benefit that John gets from eating an additional grape is called the a) quantity demanded. c) demand. b) total utility. d) marginal utility. 3- Marginal utility is the change in total utility that results from a) an increase in the consumer's income. b) a one-unit change in the quantity of a good consumed. c) a decrease in the price of the good. d) an increase in the price of the good. - If the total utility of 2 bags of chips is 25, the total utility of 3 bags is 33, and the total utility of 4 bags is 40 units, then the marginal utility of the 3rd and 4th bags are a) 12. 5 and 11, respectively. b) 8 and 7, respectively. c) 11 and 10, respectively. d) 33 and 40, respectively. 5- Diminishing marginal utility means that an increase in the consumption of a good leads to a) an increase in marginal utility. b) an increase in the consumer's budget. c) a decrease in marginal utility. d) a decrease in total utility. 6- State whether the following statements are true or false. Justify your answer.) Total utility of X decreases as we increase consumption of X. False b) Marginal utility represents total utility divided by the quantity consumed. False c) If Total utility increases from 100 to 110 as I increase my consumption of X by 1 unit then MU must be 10. True 7- The table above gives Matt's utility from consuming slices of pizza. His marginal utility from the 3rd slice is a) 9 units. c) 11 units. b) 5 units. d) 27 units. 8- The table above gives Matt's utility from consuming slices of pizza. His marginal utility from the 4th slice is a) 30 units. c) 7. 5 units. b) 23. 5 units. d) 3 units. - The table above gives Matt's utility from consuming slices of pizza. As Matt consumes more slices of pizza, he a) obtains less total utility. b) has diminishing total utility. c) has unchanging marginal utility. d) has diminishing marginal utility. 10- All other things being equal, it is assumed

that the consumer always prefers _____ of a commodity than _____.

a) Less, More. b) More, Less. c) Less, Less. d) More, More.

11- If market basket A has more of X than market basket B, then A must have _____ of Y than market basket B assuming that the two market baskets are to yield equal utility to the consumer.

) More b) Less c) The same d) None

12- If Mary prefers bananas to plums and plums to peaches, but is indifferent between bananas and oranges, she

a) prefers oranges to peaches. b) prefers plums to oranges. c) is indifferent between oranges and plums. d) is indifferent between oranges and peaches.

13- The absolute value of the slope of the indifference curve is called the:

a) Marginal revenue b) Average rate of substitution c) Marginal rate of substitution d) Marginal cost

14- The slope of an indifference curve shows

a) the change in utility from an additional unit of the good.) the rate at which the consumer is able to substitute one good in the market. c) is equal to the price ratio at all points. d) is the rate at which the consumer is willing to exchange one good for another, utility held constant.

15- Suppose that a market basket of two goods is changed by adding more of one of the goods and subtracting one unit of the other. The consumer will:

a) rank the market basket more highly after the change. b) rank the market basket more highly before the change. c) rank the market basket just as desirable as before.) any one of the above statements may be true.

16- If indifference curves cross, then:

a) the assumption of a diminishing marginal rate of substitution is violated. b) the assumption of transitivity is violated. c) the assumption of completeness is violated. d) consumers minimize their satisfaction.

Consider the following three market baskets:

17- Refer to Table 3. 1. If preferences satisfy all four of the basic assumptions:

a) A is on the same indifference curve as B. b) B is on

the same indifference curve as C. c) A is preferred to C.) B is preferred to A.

18- Refer to Table 3. 1. Which of the following cannot be true? a) The consumer could be indifferent between A and B. b) A and C could be on the same indifference curves. c) The consumer could be indifferent between B and C. d) A and C could be on different indifference curves. 19- If Jill's MRS of popcorn for candy is 2 (popcorn is on the horizontal axis), Jill would willingly give up: a) 2, but no more than 2, units of popcorn for an additional unit of candy. b) 2, but no more than 2, units of candy for an additional unit of popcorn.) 1, but no more than 1, unit of candy for an additional 2 units of popcorn. d) 2, but no more than 2, units of popcorn for an additional 2 units of candy. State whether the following statements are true or false. Justify your answer. 20- The slope of the indifference curve increases as we move to the right along the curve. false 21- Marginal Rate of Substitution is equal to MU_x . false 22- If $MU_x = 10$ and $MU_y = 5$, then at that point MRS must be equal to 2. true 6- Given the following table then answer the following questions Units of cola

Units of cola	Marginal Utility of cola	Units of pretzels	Marginal Utility of pretzels
1	40	1	30
2	32	2	20
3	24	3	16
4	16	4	12
5	12	5	10
6	8	6	8

Assume the price of cola is \$4 per unit and the price of pretzels is \$2 per unit. a) What is the condition of maximizing consumer's utility? b) What is the optimal combination of these goods? Jim spends all his income on pizza and burgers. Currently, he is maximizing his utility, and the marginal utility of pizza is 200 and the marginal utility of burgers is 150. If pizza costs \$6 per unit, how much do burgers cost?