Exam
Name_____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) Jane has $500 a week to spend on clothing and food. The price of clothing is $25 and the price of food is $10. The pairs of clothing and food that are in the Jane's choice set include _____ units of clothing and _____ units of food.
1) _____

A) 20; 50 B) 10; 25 C) 0; 500 D) 50; 50

Refer to the information provided in Figure 6.1 below to answer the questions that follow.

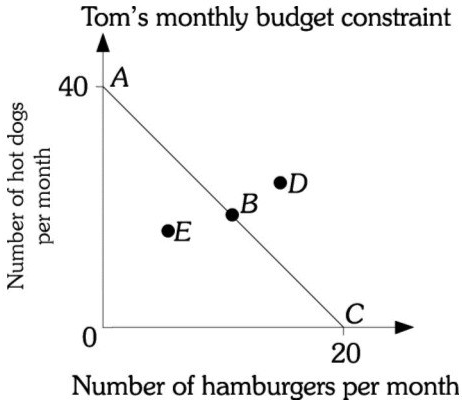

Figure 6.1

2) Refer to Figure 6.1. Assume Tom is on budget constraint *AC*. If the price of a hamburger is $5, Tom's monthly income is
2) _____

A) $20. B) $60.C) $100. D) $300.

3) Refer to Figure 6.1. Assume Tom is on budget constraint *AC*. If the price of a hot dog is $2.50, Tom's monthly income is
3) _____

A) $40. B) $60.C) $80. D) $100.

Refer to the information provided in Figure 6.3 below to answer the questions that follow.

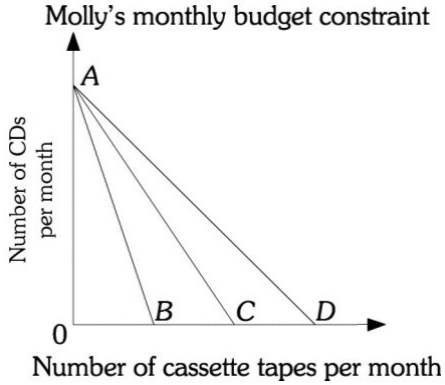

Figure 6.3

4) Refer to Figure 6.3. Molly's budget constraint is AC. It would swivel to AD if the price of 4) _____

A) cassette tapes decreased. B) CDs decreased.
C) cassette tapes increased. D) CDs increased.

5) Michael can buy either pizzas or submarine sandwiches. If the prices of pizza and submarine sandwiches double and so does Michael's money income, we can deduce that Michael's budget constraint will 5) _____

A) shift in but remain parallel to the old one.
B) remain unchanged.
C) swivel in so that the slope of the budget constraint is doubled.
D) shift out but remain parallel to the old one.

Refer to the information provided in Figure 6.8 below to answer the questions that follow.

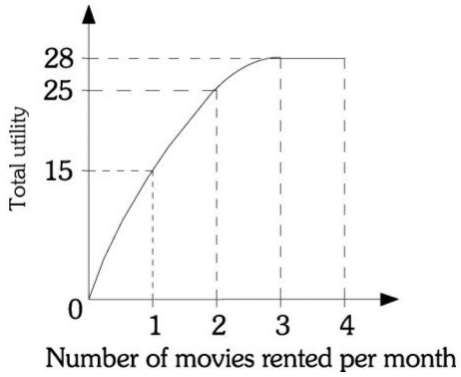

Figure 6.8

6) Refer to Figure 6.8. The marginal utility of the second movie rental is 6) _____
A) 10. B) 12.5. C) 25. D) 40.

7) Refer to Figure 6.8. The marginal utility of the third movie rental is 7) _____
A) 1. B) 3. C) 9.33. D) 28.

8) Richard is consuming X and Y so that MUx/Px = 6 and MUy/Py = 10. To maximize utility, Richard should 8) _____

A) consume more X and less *Y*.
B) continue to consume the same amount of X and *Y*, as the consumer is already maximizing utility.
C) consume less of both X and *Y*.
D) consume less X and more *Y*.

9) Jon is consuming X and Y so that MUx/Px = 8 and MUy/Py = 4. To maximize utility, he should consume 9) _____

A) more X and less *Y*.
B) less X and more *Y*.
C) the same amount of X and Y since he is already maximizing utility.
D) less of both X and *Y*.

10) If MUx/Px < MUy/Py, then 10) _____
A) spending a dollar less on *X*, and spending a dollar more on Y increases utility.
B) X is more expensive than *Y*.

C) spending a dollar less on Y and spending a dollar more on X increases utility.
D) Y is more expensive than *X*.

11) The marginal utility of the first cup of coffee that Tom drinks in the morning is worth $2.00. The marginal utility of the 9th cup of coffee he drinks is positive while the marginal utility of the 10th cup of coffee he drinks in the morning is worth $0. This implies that at a price of $0, Tom would drink 11) _____

A) zero cups of coffee per morning.
B) more than 10 cups of coffee per morning, but the actual number is indeterminate from this information.
C) an infinite number of cups of coffee each morning.
D) at most 10 cups of coffee per morning.

12) On which of the following goods would a price change have the largest income effect? 12) _____
A) A car B) Clothing
C) A magazine D) A desktop computer