Micro, Spring 2016 with P. Stankov, TA session on Utility and choice
Source: Case/Fair

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

1) Marginal utility is the 1) _____
   A) additional consumption divided by the additional satisfaction gained by the additional consumption.
   B) total satisfaction gained by consuming all units of a good.
   C) total satisfaction gained by consuming the last unit of the good.
   D) additional satisfaction gained by the consumption of one more unit of a good.

2) The law of diminishing marginal utility 2) _____
   A) refers to the decrease in additional satisfaction created by consumption of more and more units of a good.
   B) refers to the decrease in total satisfaction as more units of a good are consumed.
   C) refers to the idea that total utility is negative.
   D) All of the above

3) The utility-maximizing rule can be stated in words in the following way: A person will maximize utility when the _____ is equalized across products. 3) _____
   A) marginal utility
   B) total utility
   C) marginal utility per dollar spent
   D) total utility per dollar spent

4) A utility-maximizing consumer combines purchases in a way that makes 4) _____
   A) $MUx/MUy = Px/Py$ for all pairs of goods.
   B) $MUx = MUy$ for all pairs of goods.
   C) $Px(MUx) = Py(MUv)$ for all pairs of goods.
   D) $TUx/Px = TUy/Py$ for all pairs of goods.

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

Table 6.1

Number of Hamburgers per Day	Total Utility	Marginal Utility
1	30	
2	52	
3	67	
4	76	
5		4
Number of Sodas per Day	**Total Utility**	**Marginal Utility**
1	20	
2	35	
3	47	
4	57	
5		7

5) Refer to Table 6.1. The marginal utility of the second soda per day is 5) _____
A) 10. B) 15. C) 35. D) 55.

6) Jon is consuming X and Y so that $MUx/Px = 8$ and $MUy/Py = 4$. To maximize utility, he should consume 6) _____
A) more X and less *Y*.
B) less X and more *Y*.
C) less of both X and *Y*.
D) the same amount of X and Y since he is already maximizing utility.

7) If $MUx/Px < MUy/Py$, then 7) _____
A) Y is more expensive than *X*.
B) spending a dollar less on *X*, and spending a dollar more on Y increases utility.
C) X is more expensive than *Y*.
D) spending a dollar less on Y and spending a dollar more on X increases utility.

Refer to the information provided in Figure 6.10 below to answer the questions that follow.

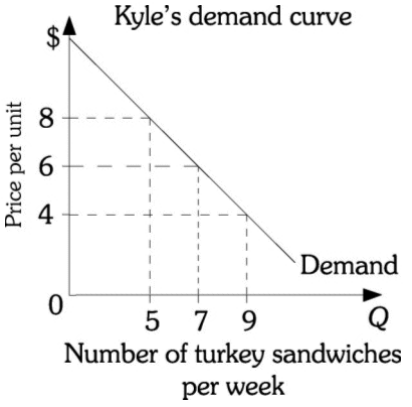

Figure 6.10

8) Refer to Figure 6.10. The current price of a turkey sandwich is $6. If Kyle is currently buying five turkey sandwiches a week, he _____ maximizing utility because the marginal utility _____ than its price. 8) _____
   A) is; from the fifth sandwich is greater
   B) is; from the fifth sandwich is less
   C) is not; gained from the fifth sandwich is greater
   D) is not; gained from the fifth sandwich is less

9) Refer to Figure 6.10. Kyle would increase his consumption of turkey sandwiches from 7 to 9 per week if their price fell from $6 to $4. This illustrates the idea of 9) _____
   A) the law of diminishing marginal utility.
   B) technical efficiency.
   C) consumer surplus.
   D) cross-price elasticity of demand.

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

11) The lower the market price of water, the _____ the _____ surplus. 11) _____
   A) lower; consumer
   B) higher; producer
   C) lower; government
   D) higher; consumer

Refer to the information provided in Figure 6.11 below to answer the questions that follow.

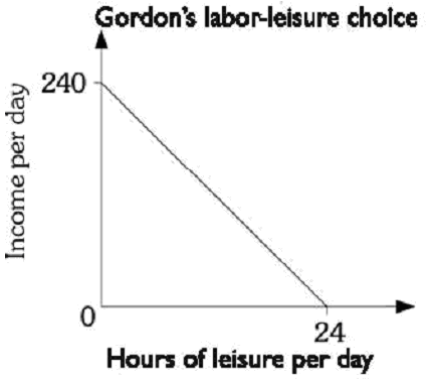

Figure 6.11

12) Refer to Figure 6.11. Gordon's opportunity cost of one hour of leisure is 12) _____
A) $10. B) $24.
C) $240. D) indeterminate from this information.

Refer to the information provided in Figure 6.12 below to answer the questions that follow.

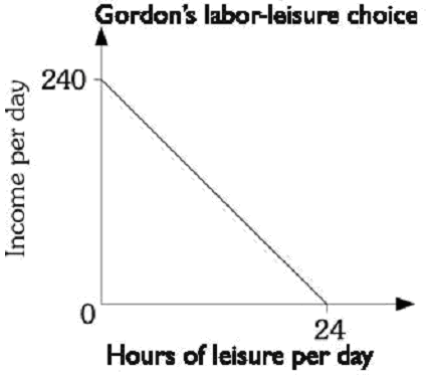

Figure 6.12

13) Refer to Figure 6.12. Art's opportunity cost of one hour of leisure is 13) _____
A) $2. B) $3.
C) $100. D) indeterminate from this information.

14) Assume leisure is a normal good. The substitution effect of a wage decrease implies a _____ demand for leisure and a _____ labor supply. 14) _____
A) higher; higher B) lower; lower C) higher; lower D) lower; higher

15) If the substitution effect of a wage change outweighs the income effect of a wage change, the labor-supply curve is 15) _____
A) upward sloping. B) backward bending.
C) horizontal. D) vertical.

Refer to the information provided in the Figure 6.13 below to answer the questions that follow.

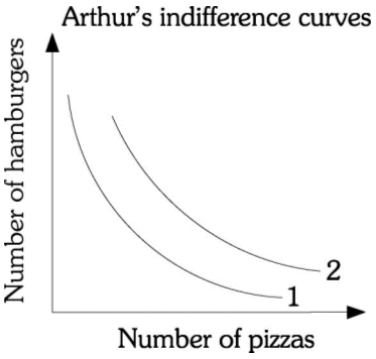

Figure 6.13

16) Refer to Figure 6.13. If Arthur moves from indifference curve 1 to indifference curve 2, then Arthur 's 16) _____

A) total utility increases.
B) marginal utility increases.
C) prices of the goods increase.
D) total income decreases.

Refer to the information provided in Figure 6.15 below to answer the questions that follow.

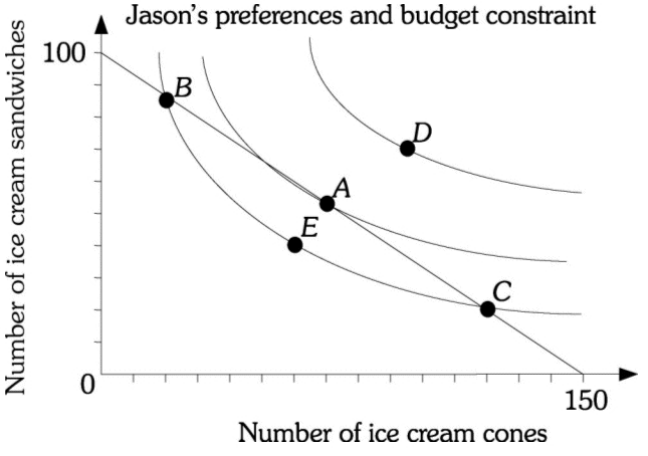

Figure 6.15

17) Refer to Figure 6.15. If the price of an ice cream cone is $2, Jason's income is 17) _____

A) $75.
B) $250.
C) $300.
D) indeterminate because the price of ice cream sandwiches is not given.

18) Refer to Figure 6.15. Jason maximizes utility at Point 18) _____

A) *A*. B) *B*. C) *C*. D) *D*.

19) Refer to Figure 6.15. The slope of the indifference curve is the ratio of the 19) _____
A) total utility of ice cream sandwiches to the total utility of ice cream cones.
B) marginal utility of ice cream sandwiches to the marginal utility of ice cream cones.
C) marginal utility of ice cream cones to the marginal utility of ice cream sandwiches.
D) total utility of ice cream cones to the total utility of ice cream sandwiches.

20) Refer to Figure 6.15. At Point *A*, the slope of the indifference curve is 20) _____
A) -0.67.
B) -1.5.
C) -3.0.
D) indeterminate because the marginal utilities are unknown.