**Sample “True/False” or Multiple Choice Questions:**

1. If you have an income of $18 to spend, if commodity 1 costs $3 per unit, and if commodity 2 costs $9 per unit, then the equation for your budget line can be written as

a. *x*1/3 + *x*2/9 = 18.

b. (*x*1 +*x*2)/12 = 18.

c. *x*1 + 3*x*2 = 6.

d. 4*x*1 + 10*x*2 = 19.

e. 12(*x*1 + *x*2) = 18.

2. Suppose that the prices of good *x* and good *y* both double and income triples. On a graph where the budget line is drawn with *x* on the horizontal axis and *y* on the vertical axis,

a. the budget line becomes steeper and shifts inward.

b. the budget line becomes flatter and shifts outward.

c. the budget line becomes flatter and shifts inward.

d. the new budget line is parallel to the old budget line and lies below it.

e. None of the above.

3. The Chuzzlewits have an income of $*m* per week. Let *x* be food and let *y* be all other goods. Let *px* be the price of food and *py* be the price of other goods. They can use food stamps to buy food at a price of *px*(1 - *s*) for up to *x*\* units of food per week. If they buy more food than *x*\*, they have to pay the full price *px* for additional units. Their weekly income is greater than *px*(1 - *s*)*x*\*. The maximum amount of food that they can buy per week is

a. *x*\* + (*m/px*).

b. (*m* + *x*\*)/*px*.

c. (*m/px*) + *sx*\*.

d. *m*/(1 - *s*)*px*.

e. (*m* + *px*)/(1 - *s*)*px*.

4. True or false? A consumer with convex preferences who is indifferent between the bundles (4, 6) and (8, 2) will like the bundle (6, 4) at least as well as either of the first two bundles.

a) if both commodities are “goods”

b) if both commodities are “bads”

6. If Melody has more classical records than rock and roll records, she is willing to exchange exactly 1 classical record for 2 rock and roll records, but if she has more rock and roll records than classical records, then she is willing to exchange exactly 1 rock and roll record for 2 classical records. Melody has convex preferences.

7. Colette consumes goods *x* and *y*. Her indifference curves are described by the formula *y* = *k*/(*x* + 7). Higher values of *k* correspond to better indifference curves.

a. Colette likes good *y* and hates good *x*.

b. Colette prefers bundle (12, 16) to bundle (16, 12).

c. Colette prefers bundle (8, 5) to bundle (5, 8).

d. Colette likes good *x* and hates good *y*.

e. More than one of the above statements are true.

8. If there are only two goods, if more of good 1 is always preferred to less, and if less of good 2 is always preferred to more, then indifference curves

a. slope downward.

b. slope upward.

c. may cross.

d. could take the form of ellipses.

e. None of the above.

9. Professor Stern’s colleague, Dr. Schmertz, gives one midterm exam and a final exam. He weights the final twice as heavily as the midterm to determine the course grade. No grades can be dropped. If the midterm score is represented on the horizontal axis and the final score on the vertical axis, and if a student in Dr. Schmertz’s class cares only about her course grade, her indifference curve is

a. a line with slope -2.

b. a line with slope -1.

c. a line with slope -0.5.

d. L-shaped with the kink at (*x*, 2*x*).

e. L-shaped with the kink at (2*x*, *x*).

11. Alice’s utility function is *U*(*x*, *y*) = *x*2*y*. Steve’s utility function is *U*(*x*, *y*) = *x*2*y* + 2*x*. Alice and Steve have the same preferences since Steve’s utility function is a monotonic transformation of Alice’s.

12. The utility function *U*(*x*1, *x*2) = 2 ln *x*1 + 3 ln *x*2 represents Cobb-Douglas preferences.

13. A consumer has preferences represented by the utility function *U*(*x*1, *x*2) = 10(*x*21 + 2*x*1*x*2 + *x*22) - 50. For this consumer, goods 1 and 2 are perfect substitutes.

14. Jean-Pierre has preferences represented by the utility function *U*(*x*, *y*) = min{2*x* + *y*, *x* + 6*y*}. If *x* is on the horizontal axis and *y* is on the vertical axis, what is the slope of his indifference curve at the point (7, 7)?

a. -1/2

b. -6/2

c. -1/6

d. -2

e. -7/7

28. Georgina consumes only grapefruits and pineapples. Her utility function is *U*(*x*, *y*) = *x*2*y*8, where *x* is the number of grapefruits consumed and *y* is the number of pineapples consumed. Georgina’s income is $105, and the prices of grapefruits and pineapples are $1 and $3, respectively. How many grapefruits will she consume?

a. 10.5

b. 7

c. 63

d. 21

e. None of the above.

30. Clarissa’s utility function is *U*(*r*, *z*) = *z* + 120*r* - *r2*, where *r* is the number of rose plants she has in her garden and *z* is the number of zinnias. She has 250 square feet to allocate to roses and zinnias. Roses each take up 4 square feet and zinnias each take up 1 square foot. She gets the plants for free from a generous friend. If she acquires another 100 square feet of land for her garden and her utility function remains unchanged, she will plant

a. 99 more zinnias and some more roses.

b. 20 more roses and 20 more zinnias.

c. 25 more roses and no more zinnias.

d. 100 more zinnias and no more roses.

e. None of the above.

31. Katie Kwasi’s utility function is *U*(*x*1, *x*2) = 2(ln *x*1) + *x*2. Given her current income and the current relative prices, she consumes 10 units of *x*1 and 15 units of *x*2. If her income doubles, while prices stay constant, how many units of *x*1 will she consume after the change in income?

a. 20

b. 18

c. 10

d. 5

e. There is not enough information to determine how many.

32. Which of the following utility functions represent preferences of a consumer who does *not* have homothetic preferences?

a. *U*(*x*, *y*) = *xy*.

b. *U*(*x*, *y*) = *x* + 2*y*.

c. *U*(*x*, *y*) = *x* + *y*.5.

d. *U*(*x*, *y*) = min{*x*, *y*}.

e. More than one of the above.

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| Cevap Anahtarı |  |
| 1 | C | 20 | c |
| 2 | E | 21 | c |
| 3 | C | 22 | a |
| 4 | TRUE | 23 | a |
| 5 | FALSE | 24 | TRUE |
| 6 | FALSE | 25 | b |
| 7 | b | 26 | b |
| 8 | b | 27 | c |
| 9 | c | 28 | d |
| 10 | d | 29 | d |
| 11 | FALSE | 30 | d |
| 12 | TRUE | 31 | c |
| 13 | TRUE | 32 | c |
| 14 | D |
| 15 | TRUE |
| 16 | B |
| 17 | B |
| 18 | C |
| 19 | TRUE |
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