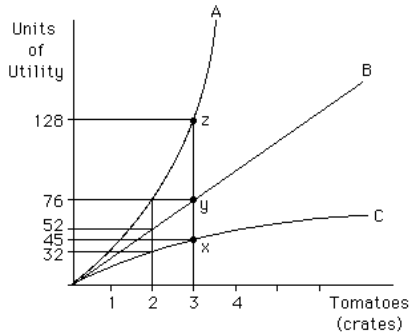


- 7) On a graph with apples per week on the vertical axis and loaves of bread per week on the horizontal, Tami's budget constraint has a vertical intercept of 40 and a horizontal intercept of 20. When Tami is in consumer equilibrium, the ratio of her _____
- A) total utility from apples to her total utility from bread will be 1/2.
 - B) marginal utility from apples to her marginal utility from bread will be 1/2.
 - C) average utility from apples to her average utility from bread will be 1/2.
 - D) average utility from apples to her average utility from bread will be 1/1.
- 8) Lisa finds that the marginal utility from a compact disc is 30 and the marginal utility from a cassette is 10. The price of a compact disc is \$15 and the price of a cassette is \$5. Lisa should _____
- A) decrease the price of cassettes.
 - B) increase her consumption of compact discs.
 - C) increase her consumption of cassettes.
 - D) not change her consumption of cassettes and compact discs.
- 9) Geneva is not at her consumer equilibrium for movies and CDs. Why? _____
- A) Her total utility from movies does not equal her average utility from CDs.
 - B) Her marginal utility from the last movie she selected does not equal her marginal utility from the last CD selected.
 - C) Her marginal utility from the last dollar spent for movies does not equal her marginal utility from the last dollar spent for CDs.
 - D) Her average utility from movies does not equal her average utility from CDs.
- 10) Usharani consumes 35 apples a week and 14 loaves of bread. Apples cost \$1 each and bread costs \$2 per loaf. Usharani's marginal utility from his 35th apple _____
- A) equals his marginal utility from his 14th loaf of bread.
 - B) is such that his total utility from apples equals his total utility from bread.
 - C) is twice his marginal utility from his 14th loaf of bread.
 - D) is half his marginal utility from his 14th loaf of bread.
- 11) As consumption of a good decreases, total utility _____
- A) increases and marginal utility decreases.
 - B) decreases and marginal utility decreases.
 - C) increases and marginal utility increases.
 - D) decreases and marginal utility increases.
- 12) Kumiko is not at her consumer equilibrium. She sees too many movies and buys too few books. As she moves toward her consumer equilibrium, her marginal utility from movies will _____
- A) decrease. So will her marginal utility from books.
 - B) decrease, but her marginal utility from books will increase.
 - C) increase, but her marginal utility from books will decrease.
 - D) increase. So will her marginal utility from books.
- 13) If income is fully spent and the marginal utility per dollar spent is equal for all goods, then _____
- A) marginal utility is maximized.
 - B) total utility is maximized.
 - C) the proportion of income spent on each good must be equal.
 - D) a consumer could not be better off even with greater income.

- 21) Diminishing marginal utility means that 21) _____
- A) Ralph will enjoy his second hamburger less than the first.
 - B) the price of two hamburgers is less than twice the price of one.
 - C) the utility from one hamburger exceeds the utility from two hamburgers.
 - D) beyond a certain point, total utility decreases as income rises.

- 22) When consumption of a good is increasing, eventually marginal utility will 22) _____
- A) approach total utility.
 - B) decrease.
 - C) remain unchanged.
 - D) increase.

Figure 8.1



- 23) In Figure 8.1, marginal utility is shown as 23) _____
- A) the height of a curve at a given point.
 - B) the slope of a curve at a given point.
 - C) the slope of a ray from the origin to a given point on a curve.
 - D) the distance between two curves at a given quantity.

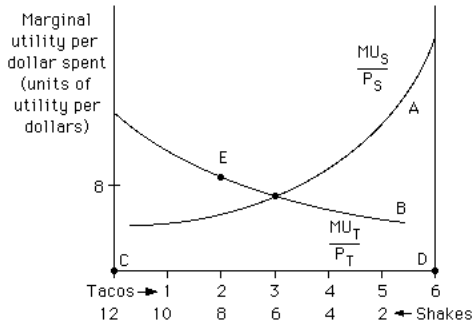
- 24) Marginal utility theory applied to goods is used in the derivation of the 24) _____
- A) positive slope of demand curves.
 - B) negative slope of demand curves.
 - C) negative slope of supply curves.
 - D) positive slope of supply curves.

- 25) Negatively sloped individual demand curves result directly from 25) _____
- A) increasing marginal utility.
 - B) constant marginal utility.
 - C) negative marginal utility.
 - D) decreasing marginal utility.

- 26) Pam buys only thread and fabric, and she buys the quantities that maximize her utility. Her marginal utility from a spool of thread is 30 units and her marginal utility from a yard of fabric is 60 units. If the price of a spool of thread is \$4, then you are sure that the price of a yard of fabric is _____.
- A) \$8
 - B) \$12
 - C) \$4
 - D) \$2

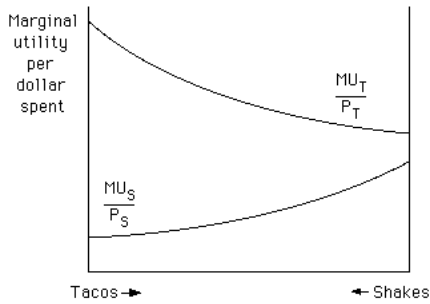
- 27) Bobby consumes only chocolate ice cream and vanilla ice cream. He is spending all of his income. His marginal utility of chocolate is 100 and his marginal utility of vanilla is 200, and the price of chocolate is \$1.00 per scoop and the price of vanilla is \$2.00 per scoop. To maximize his utility, Bobby should 27) _____
- A) buy more vanilla ice cream and less chocolate ice cream.
 - B) buy more chocolate ice cream and less vanilla ice cream.
 - C) not change his purchases between chocolate ice cream and vanilla ice cream.
 - D) buy no chocolate ice cream.
- 28) Bobby consumes only chocolate ice cream and vanilla ice cream. He is spending all of his income. His marginal utility of chocolate is 200 and his marginal utility of vanilla is 200, and the price of chocolate is \$1.00 per scoop and the price of vanilla is \$2.00 per scoop. To maximize his utility, Bobby should 28) _____
- A) buy more chocolate ice cream and less vanilla ice cream.
 - B) buy more vanilla ice cream and less chocolate ice cream.
 - C) not change his purchases between chocolate ice cream and vanilla ice cream.
 - D) buy no vanilla ice cream.
- 29) Sam spends all of his income on textbooks and hot dogs. The price of a textbook is \$40 and the price of a hot dog is \$0.50. If Sam is maximizing his utility and the marginal utility he derives from the last textbook he purchases is 400, then the marginal utility he derives from his last hot dog purchased must be 29) _____
- A) 5.
 - B) 20.
 - C) 400.
 - D) 10.
- 30) Fred spends all of his income on two goods: DVDs and downloaded music. If Fred's marginal utility per dollar from DVDs is greater than his marginal utility per dollar from downloaded music, Fred can _____ his total utility by buying _____. 30) _____
- A) increase; more downloaded music and fewer DVDs
 - B) maximize; fewer DVDs and less downloaded music
 - C) increase; more DVDs and less downloaded music
 - D) maximize; more DVDs and more downloaded music

Figure 8.2



- 31) Lynette's marginal utility per dollar spent on tacos and shakes is shown in Figure 8.2. At point 31) _____
 E, Lynette is
- A) consuming too many tacos and not enough shakes.
 - B) consuming too many shakes and too many tacos.
 - C) consuming too many shakes and not enough tacos.
 - D) maximizing her utility.

Figure 8.3



- 32) Refer to Figure 8.3. Cameron's marginal utility per dollar spent curves are given for tacos and 32) _____
 shakes. Cameron should consume
- A) neither tacos nor shakes.
 - B) only shakes and no tacos.
 - C) both tacos and shakes.
 - D) only tacos and no shakes.

- 39) Neuroeconomics is 39) _____
- A) the study of how people behave when they face scarcity.
 - B) the study of how people make decisions at the margin.
 - C) the study of situations in which people act economically irrationally.
 - D) the study of the activity of a human brain when the person makes economic decision.
- 40) Gene plays another hour of computer games rather than study for the hour even though he knows that the next day, when he takes his test, he will regret his decision. Gene is showing _____ 40) _____
- A) bounded rationality
 - B) bounded self-interest
 - C) the endowment effect
 - D) bounded will power