Microeconomics: Monika Köppl-Turyna

Additional Problems: Class 3

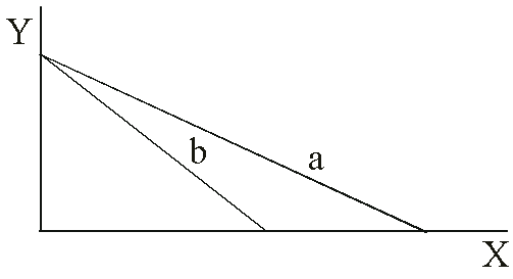
If the consumer's budget constraint is given by 10F + 5S = 100 where F is food and S is shelter, how much food can he buy if he purchases 2 units of shelter?
A. 10
B. 5
C. 20
D. 9

If the consumer's budget constraint is given by 10F + 5S = 100 where F is food and S is shelter, what is the opportunity cost of food in terms of shelter?
A. 5
B. 2
C. 5
D. 10

An increase in income with no changes in the price of either good will cause
A. An inward shift of the budget curve
B. An outward shift of the budget curve
C. No change in the budget curve
D. An inward rotation of the budget curve

Suppose you are choosing between milk and cookies. If the opportunity cost of cookies in terms of milk increases, then the budget curve will:
A. shift inward
B. rotate inward.
C. shift outward
D. rotate outward

Which is true of the two budget lines drawn



below?
A. Line a has a higher nominal income than line b
B. Line b and line a have the same nominal income
C. The absolute price of good Y is greater with budget line a than with budget line b
D. The price of good X is larger with budget line a

What assumptions are necessary to prevent indifference curves from crossing?
A. Transitivity
B. Completeness
C. More is better
D. Transitivity and more is better

A diminishing marginal rate of substitution implies that indifference curves are
A. Convex
B. Concave
C. Straight lines
D. Positively sloped

If food is on the vertical axis and shelter on the horizontal axis, then the equation for the budget line can be expressed as
A. PsS + PfF = M
B. PsF + PfS = M
C. PsS + PfM = S

If the consumer is willing to give up 3 units of food (vertical axis) in exchange for one unit of shelter (horizontal axis) and food is priced at 10 and shelter at 20, then the consumer is
A. Purchasing too much food for utility maximization
B. Purchasing too much shelter for utility maximization
C. Purchasing just the right amount of each good for utility maximization
D. Purchasing less than the budget would allow

Say a consumer is choosing between wine and cheese. The price of wine is 10 and the price of cheese is 5. If the marginal rate of substitution is 4, and if wine is on the horizontal axis and cheese is on the vertical axis then the consumer is purchasing:
A. Too much cheese
B. Too much wine
C. Just the right amount of both goods
D. Purchasing more than what her income would allow