socrative

ESFM2-L1 Score:

1. **Maria consumes only goods *A* and *B*. Her budget line depends on all following variables except for**

(A) the price of good A.

(B) amount of money she can spend on goods *A* and *B*.

(C) the price of good *B*.

(D) her preferences between goods *A* and *B*.

(E) Depends on all the above-listed variables.

2. **Let's have a linear budget line in a graph with the quantity of good 1 on the horizontal and quantity of good 2 on the vertical axis. If price of good 1 falls and price of good 2 increases,**

(A) the budget line becomes flatter.

(B) the budget line becomes steeper.

(C) the budget line will make a parallel move downwards.

(D) the budget line will make a parallel move upwards.

3. **If the slope of the indifference curve in every point is -5, we know that**

(A) one of the goods is bad.

(B) the goods are perfect complements.

(C) the goods are perfect substitutes.

(D) we are not able to choose any of the answers above.

4. **Let's have a good on a horizontal axis and a bad on a vertical axis. Then moving to southeast (down and right) will**

(A) increase utility of the consumer.

(B) reduce utility of the consumer.

(C) not change utility of the consumer.

(D) We cannot determine what happens with the utility.

5. **A positively sloped indifference curve violates the assumption of**

(A) monotonicity.

(B) konvexity.

(C) completeness.

(D) transitivity.

(E) reflexivity.

6. During his stay in Brno, Roger consumers only pivo *P* and víno *V*. He is willing to exchange beer and wine at a constant rate 1 liter of wine for 3 liters of beer. What of the following may be his utility function?

A) $u(P,V) = P + V$

B) $u(P,V) = 3P + V$

C) $u(P,V) = P + V/3$

D) $u(P,V) = P/3 + V$

E) $u(P,V) = P/3 + V/9$

7. Mark's preferences for music are rational. He strictly prefers ACDC (*A*) to Beatles (*B*) and Beatles (B) to Cher (C). Which of the following utility functions describes his preferences?

A) $U(A) = 6, U(B) = -6, U(C) = 9$

B) $U(A) = 6, U(B) = -6, U(C) = -9$

C) $U(A) = 10, U(B) = 6, U(C) = 9$

D) $U(A) = 1, U(B) = -3, U(C) = 4$

E) $U(A) = 0, U(B) = 0, U(C) = 0$

8. If we make a monotonic transformation of a utility function, then

A) the shape of the indifference curves changes.

B) marginal rate of substitution does not change.

C) marginal utility does not change.

D) the shape of the budget line changes.

E) More than one of the above answers are correct.