socrative

ESFM2-L2 Score:

1. A consumer buys two goods. Good *X* is depicted on the horizontal axis and good *Y* on the vertical axis. If the budget line has a slope of -4, then

A) the price of good *Y* is lower than the price of good *X*.

B) the price of good Y is higher than the price of good X.

C) the consumer has higher utility from good *Y* than from good *X*.

D) the consumer has lower utility from good Y than from good X.

E) None of the above follows from the instructions.

2. A consumer makes a choice from two goods. In a graph, good *X* is on the horizontal and good *Y* on the vertical axis. We assume that the indifference curves are smooth, convex and there is inner solution. The consumer considers a bundle at his budget line where the indifference curve is steeper than the budget line. It holds for the current bundle that

A) it is optimal.

B) the consumer could have higher utility if he bought more *X* and less *Y*.

C) the consumer could have higher utility if he bought more *Y* and less *X*.

3. If the optimal bundle is such that the ratio between marginal utilities, MU_A/MU_B, is lower that the ratio of prices p_A/p_B, then the consumer

A) buys only good *A*.

B) buys only good *B*.

C) will buy both goods.

4. A consumer spends her income *m* on goods 1 and 2, that have prices p_1 and p_2. Good 1 is a good and good 2 is a bad. Which of the following is true?

A) The demand for good 1 is m/p_2.

B) The demand for good 1 is m/p_1.

C) The demand for good 1 is 0.

5. If for the optimal choice holds that $MRS = -p_1/p_2$, than the preferences are certainly not

A) perfect substitutes.

B) perfect complements.

C) Cobb-Douglas preferences.

D) quasilinear preferences.

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

6. At prices (p_1,p_2), the chosen bundle (x_1,x_2) directly revealed preferred to a bundle (y_1,y_2) if

A $x_1p_1 + y_1p_1 \leq x_2p_2 + y_2p_2$.

B $x_1p_1 + y_1p_1 \geq x_2p_2 + y_2p_2$.

C $x_1p_1 + x_2p_2 \geq y_1p_1 + y_2p_2$.

D $x_1p_1 + x_2p_2 \leq y_1p_1 + y_2p_2$.

7. If consumer's choices do not violate the strong axiom of revealed preference, then

A the demand is always decreasing.

B they might still violate the weak axiom of revealed preference.

C we can use a utility function to describe her choices.

D More than one of the above choices are correct.