QUIZ #12
Wednesday, November 2

Choose the best answer to each of the following questions

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) Suppose Jill's consumption bundle is made up of 2 goods, apples and bottles of juice. If the price of an apple increases, then Jill's budget line would
   A) not change.  
   B) shift away from the origin on the bottles of juice axis only. 
   C) shift towards the origin on the apples axis only. 
   D) shift towards the origin on both the apples and bottles of juice axes.

2) A person's consumption possibilities is defined by the budget line because
   A) it marks the boundary between what is affordable and unaffordable. 
   B) all consumers must consume on their budget line. 
   C) it represents the individual's preference for different combinations of goods. 
   D) it marks the boundary between what can be produced and what is unattainable given the current state of technology and resources.

3) Tom's consumption possibilities is defined by
   A) his income and the prices of the goods that he consumes. 
   B) his income only. 
   C) the prices of the goods that he consumes only. 
   D) his preferences for consumption of the goods that he consumes.

4) Utility is best defined as
   A) the satisfaction from consuming a good. 
   B) the amount one is willing to pay for a good. 
   C) the price of a good. 
   D) the practical usefulness of a good.

5) Total utility describes
   A) total consumption multiplied by marginal utility. 
   B) total consumption divided by marginal utility. 
   C) the benefit gained from all consumption. 
   D) an increase in consumption multiplied by the gain in utility.

6) Which of the following statements is true?
   A) As more of a good is consumed, its total utility increases, even if the good is subject to diminishing marginal utility. 
   B) No two people have identical utility functions, just as no two people have identical fingerprints. 
   C) As more of a good is consumed, its total utility increases, unless the good is subject to diminishing marginal utility. 
   D) Both A and C above.
7) Marginal utility is the
   A) total satisfaction that a person gets from the consumption of all of the units of a good consumed.
   B) additional cost to a consumer when an additional unit of a good is consumed.
   C) maximum price that a consumer is willing to pay for an additional unit of a good.
   D) change in satisfaction that results from a one-unit increase in the quantity of a good consumed.

8) As you consume more and more of any good, you experience ________ utility.
   A) increasing marginal
   B) negative marginal
   C) diminishing marginal
   D) diminishing total