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) The marginal utility from the consumption of a good is equal to the
   A) total utility divided by the quantity consumed.
   B) total utility divided by the price.
   C) change in total utility divided by the change in the quantity consumed.
   D) change in total utility divided by the change in price.

2) If Pete enjoys his first pancake of the morning much more than his fifth pancake of the morning, he is exhibiting
   A) diminishing total utility.
   B) diminishing marginal utility.
   C) irrational behavior.
   D) utility maximizing behavior.

3) When a consumer spends all of his or her income and consumes a bundle of goods such that the marginal utility per dollar from all goods is equal, then the
   A) consumer is in his or her consumption equilibrium.
   B) consumer's total utility is maximized.
   C) marginal utilities for each good are maximized.
   D) Both answers A and B are correct.

4) At the utility maximizing equilibrium for two goods, X and Y, which of the following must be true?
   A) The marginal utility per dollar spent on X will exceed the marginal utility per dollar spent on Y.
   B) The marginal utility will be the same for each good.
   C) The marginal utility per dollar from X equals the marginal utility per dollar from Y.
   D) The total expenditure will be the same for each good.

5) The total benefit that a person receives from the consumption of goods and services is called
   A) marginal utility.
   B) marginal cost.
   C) opportunity cost.
   D) total utility.
<table>
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<tr>
<th>Quantity of DVDสheets</th>
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<th>Quantity of pizza</th>
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6) Lisa spends all her income on pizzas and DVDs. The above table shows Lisa's marginal utility for pizza and marginal utility for DVDs. If the price of a pizza is $10, the price of a DVD is $5, and Lisa has $40 to spend on the two goods, what combination of pizza and DVDs will maximize her utility?
   A) 5 DVDs and 4 pizzas
   B) 6 DVDs and 1 pizza
   C) 2 DVDs and 3 pizzas
   D) 4 DVDs and 2 pizzas

7) 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
   A) not change his purchases between chocolate ice cream and vanilla ice cream.
   B) buy more chocolate ice cream and less vanilla ice cream.
   C) buy no vanilla ice cream.
   D) buy more vanilla ice cream and less chocolate ice cream.

8) Marginal utility theory predicts that when income increases a
   A) person might increase the consumption of some normal goods and decrease the consumption of other normal goods.
   B) person's consumption of normal goods will increase.
   C) person's total utility will not change.
   D) None of the above answers is correct because marginal utility theory does not address how demand changes in response to changes in income.

9) The variables that determine a household's budget line are
   A) its preferences and prices.
   B) prices and income.
   C) its preferences and income.
   D) None of the above are correct.

10) Junkfood Jill spends all of her income on jellybeans and Jolt cola. Suppose that Jill's income is $30, the price of a bag of jellybeans is $6, and the price of a bottle of Jolt cola is $2. Which of the following combinations of jellybeans and Jolt cola lies inside of Jill's budget line?
   A) 5 bags of jellybeans and 0 bottles of Jolt
   B) 2 bags of jellybeans and 8 bottles of Jolt
   C) 3 bags of jellybeans and 6 bottles of Jolt
   D) 4 bags of jellybeans and 4 bottles of Jolt
11) Consider the budget line in the above figure. If the consumer's income is $120, then the price of a book is
A) $12 per book.
B) $10 per book.
C) $6 per book.
D) More information is needed to determine the price of a book.

12) Given the budget line in the above figure, what is the household's real income in terms of pizzas per month?
A) 5 pizzas per month
B) 3 pizzas per month
C) 4 pizzas per month
D) All of above represent the household's real income.

13) Given the budget line in the above figure, what is the relative price of pizza?
A) 6 gallons of milk per pizza
B) 2 gallons of milk per pizza
C) 10 gallons of milk per pizza
D) 4 gallons of milk per pizza
14) If the relative price of pizza in terms of movies is 3, this means that
   A) in terms of the dollars that must be spent to buy the product, pizza is more expensive than movies.
   B) the opportunity cost of a pizza is 3 movies.
   C) 3 pizzas can be traded for 9 movies.
   D) All of the above answers are correct.

15) In the above figure, the budget line would rotate in the direction indicated as a result of a
    A) decrease in income.  
    B) fall in the price of a book.  
    C) rise in the price of a movie.  
    D) rise in the price of a book.

16) An indifference curve shows
    A) the relationship between prices and a household's budget.  
    B) combinations of goods among which a household is indifferent.  
    C) budget lines among which a consumer is indifferent.  
    D) all possible prices and preferences for a good.
17) Given the indifference curve in the above figure, which point is preferred to point \( a \)?
   A) point \( e \)  B) point \( d \)  C) point \( c \)  D) point \( b \)

18) The rate at which Sam is willing to give up a gallon of gasoline to get one more pound of coffee, and remain on the same indifference curve is called his
   A) opportunity cost of coffee.  B) personal price of coffee.
   C) opportunity cost of gasoline.  D) marginal rate of substitution.

19) If an indifference curve is a straight line it will not show which of the following?
   A) any marginal rate of substitution
   B) combinations of goods among which a consumer is indifferent
   C) diminishing marginal rate of substitution
   D) None of the above answers is correct.

20) If two goods are perfect complements, the shapes of the indifference curves are
   A) bowed away from the origin.  B) right-angled lines.
   C) straight lines.  D) bowed toward the origin.

21) In an indifference curve/budget line diagram, a consumer's equilibrium consumption combination will occur
   A) inside the budget line.  B) on the budget line.
   C) at the origin.  D) outside the budget line.

22) When the consumer is at his or her best affordable consumption point, it is the case that the marginal rate of substitution is
   A) maximized.  B) less than the price ratio.
   C) equal to the price ratio.  D) greater than the price ratio.

23) The short run is a period of time in which
   A) the amount of output is fixed.
   B) prices and wages are fixed.
   C) the quantity of at least one factor of production is fixed.
   D) nothing the firm does can be altered.
24) Total product is
A) maximum amount of output produced by a given quantity of labor divided by price of the output.
B) maximum amount of output produced by a given quantity of labor divided by the given quantity of labor employed.
C) maximum output that a given quantity of labor can produce.
D) the increase in output that results from a one-unit increase in the quantity of labor employed with all other inputs remaining the same.

25) The marginal product of labor is equal to the
A) increase in the total product that results from hiring one more worker with all other inputs remaining the same.
B) total product divided by the total number of workers hired.
C) slope of the marginal product of labor curve.
D) None of the above answers are correct.

26) Average product equals the
A) total amount of output produced.
B) total amount of output produced divided by the quantity of labor employed.
C) increase in output that results from a one-unit increase in the quantity of labor employed with all other inputs remaining the same.
D) total amount of output produced divided by price of the output.

27) At that amount of output where diminishing marginal returns first sets in,
A) total product will begin to decline.
B) marginal product will begin to decline.
C) average product will begin to decline.
D) all of the above

28) If a firm's marginal product of labor is less than its average product of labor, then an increase in the quantity of labor it employs definitely will
A) decrease its total product.
B) not change its average product of labor.
C) increase its marginal product of labor.
D) decrease its average product of labor.

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29) In the above table, the marginal product of the 7th worker is 6. What is the total product when 7 workers are employed?
A) 68   B) 76   C) 70   D) 72

30) In the above table, what is marginal product of labor for the 2nd worker?
A) 8   B) 12   C) 20   D) 10
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