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

1) A budget line
   A) has a positive slope.
   B) keeps the budgets of all consumers in line with their needs.
   C) shows the satisfaction people get from their budget.
   D) describes the limits to consumption choices, given the income of the consumer and the prices
      of goods and services.
   E) has no slope.

2) Timmy makes $100 per week as a taxidermist. He spends all this income to buy pizza and hair gel. The price of a pizza is $10 and the price of a bottle of hair gel is $4. If Timmy buys 5 bottles of hair gel, then he buys ________ pizzas.
   A) 8
   B) 10
   C) 4
   D) 20
   E) None of the above answers is correct.

3) Susan can watch movies or attend plays. The table above gives combinations of movies and plays that are on her budget line. If the price of a movie is $10, then her budget for movies and plays is
   A) $50 per month.
   B) $10 per month.
   C) $120 per month.
   D) $60 per month.
   E) unknown from the information.
4) The figure above shows Sarah's budget line. Sarah earns $500 per week selling baskets made out of tree vines. With this money she buys sushi and rose bushes. Each piece of sushi costs $1 and each rose bush costs $10. Sarah will be at what point on her budget line if she spends $200 per week on sushi?

A) Point a  B) Point f  C) Point b  D) Point c  E) Point d
5) The figure above shows a consumer’s budget line for sodas and DVD rentals. Point a represents an affordable combination of sodas and DVDs that does not spend the entire budget.  
A) affordable combination of sodas and DVDs that does not spend the entire budget.  
B) affordable combination of sodas and DVDs but whether it spends the entire budget cannot be determined from the figure.  
C) affordable combination of sodas and DVDs that spends the entire budget.  
D) unaffordable combination of sodas and DVDs.  
E) None of the above answers is correct.

6) If the price of a good that a consumer purchases falls, the consumer's budget line will  
A) shift outward and its slope will not change.  
B) shift inward and its slope will not change.  
C) rotate inward and its slope will change.  
D) rotate outward and its slope will change.  
E) either rotate or shift outward depending on whether the good has positive or negative marginal utility.

7) Nadir and Nina consume the same goods. If Nadir has more income than Nina, then Nina’s budget line will 
A) be flatter than Nadir’s budget line.  
B) lie to the left of Nadir’s budget line.  
C) be steeper than Nadir’s budget line.  
D) lie to the right of Nadir’s budget line.  
E) More information is needed to determine how Nina’s and Nadir’s budget lines compare.
8) In the above figures, which one reflects an increase in the price of chicken?
   A) Figure A
   B) Figure B
   C) Figure C
   D) Figure D
   E) Both Figure B and Figure C

9) In the above figures, which one reflects an increase in the consumer’s income?
   A) Figure A
   B) Figure B
   C) Figure C
   D) Figure D
   E) Both Figure A and Figure D

10) The word "utility" means
    A) power generation.
    B) quantity demanded.
    C) goal.
    D) demand.
    E) benefit or satisfaction.
11) The additional satisfaction from consuming one more unit of a product is called
   A) marginal cost.
   B) marginal utility.
   C) marginal return.
   D) total utility.
   E) marginal demand.

12) If the total utility of 2 bags of chips is 25, the total utility of 3 bags is 33, and the total utility of 4 bags is 40 units, then the marginal utility of the 3rd and 4th bags are
   A) 58 and 73, respectively.
   B) 8 and 7, respectively.
   C) 12.5 and 11, respectively.
   D) 11 and 10, respectively.
   E) 33 and 40, respectively.

13) Diminishing marginal utility means that an *increase* in the consumption of a good leads to
   A) an increase in the consumer's budget.
   B) a decrease in marginal utility.
   C) an increase in marginal utility.
   D) no change in marginal utility.
   E) a decrease in total utility.

<table>
<thead>
<tr>
<th>Wooden stakes</th>
<th>Cloves of garlic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantity</td>
<td>Total utility</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>2</td>
<td>40</td>
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<td>3</td>
<td>50</td>
</tr>
<tr>
<td>4</td>
<td>58</td>
</tr>
<tr>
<td>5</td>
<td>65</td>
</tr>
</tbody>
</table>

14) The table above shows Buffy's utility from wooden stakes and cloves of garlic. If Buffy increases her consumption of wooden stakes from 4 to 5 stakes, her marginal utility from the 5th stake is
   A) 58.
   B) \(7 \div 5 = 1.29\).
   C) 7.
   D) 65.
   E) None of the above answers is correct.

15) The table above shows Buffy's utility from wooden stakes and cloves of garlic. The marginal utility of which clove of garlic is the largest?
   A) the fifth clove
   B) the second clove
   C) the first clove
   D) the third clove
   E) The marginal utility of all cloves is the same.
Answer Key
Testname: UNTITLED1

1) D
2) A
3) D
4) D
5) A
6) D
7) B
8) C
9) D
10) E
11) B
12) B
13) B
14) C
15) C