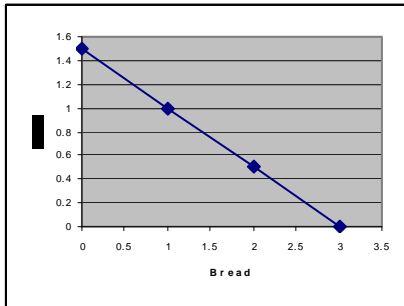


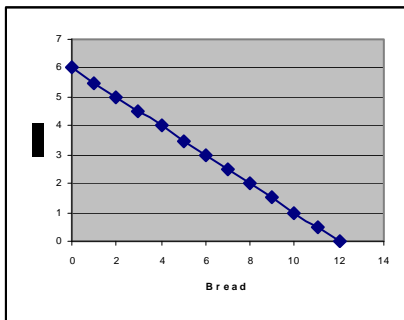
**Multiple Choice:**

1. Which of the following graphs correctly illustrates Madeline's set of affordable consumption bundles (from In-text exercise 5.1, p.125).

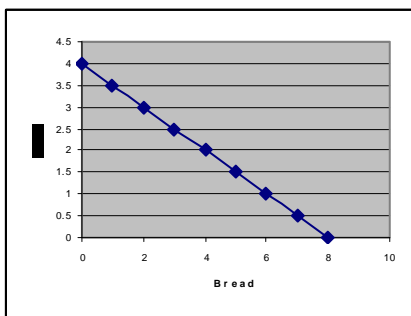
a.



b.



c.



2. Which of the following options correctly provides the slope and the vertical axis intercept for the first cases detailed in in-text exercise 5.2 (p.130)?
- a. With soup graphed on the horizontal axis, the slope is  $-.25$ , and the vertical intercept is 80.

- b. With soup graphed on the horizontal axis, the slope is -4, and the vertical intercept is 80.
  - c. With soup graphed on the horizontal axis, the slope is -4, and the vertical intercept is 20.
  - d. None of the above
3. Consider Worked-Out Problem 5.3 (p.140). If the price of bread increases to \$3, what will happen to Madeline's utility? (Hint: use Table 5.3a, p.140, and examine the impact of the price increase on the set of Madeline's feasible options.)
- a. The maximum possible utility decreases by 3.
  - b. The maximum possible utility increases by 3.
  - c. The maximum possible utility does not change.
  - d. The maximum possible utility decreases by 1.
4. Referring to Worked-Out Problem 5.2 (p.136): how many concert tickets will Natasha choose if the price of concert tickets increases to \$25, assuming that the price of films does not change?
- a. 5.5
  - b. 6
  - c. 7.5
  - d. 9
5. Gary's parents know that Gary's car requires a lot of engine oil. Every year, they give Gary a case of oil. They could, of course, have given Gary money, and allowed him to choose whether to purchase engine oil or some other good. The information presented in application 5.1 implies that Gary's utility might be higher if he received money instead of engine oil. Which of the following statements correctly describes the budget line impact of giving him oil instead of money?
- a. The slope would not be affected by this decision, but the line would shift in.
  - b. The slope would be steeper.
  - c. Most of the budget line is the same whether you give him money or oil, but part of it is cut off if you give him oil.
  - d. None of the above.
7. Refer to Application 5.3 (p.154): Why did Two Buck Chuck succeed?
- a. Timing. Two Buck Chuck was introduced during a period when stock prices were increasing.
  - b. Timing. Two Buck Chuck is an inferior good, and it was introduced during a recession.
  - c. Charles Shaw is an excellent entrepreneur.
  - d. Both a and c.
8. Describe the relationship between a price-consumption curve and a demand curve:
- a. The price-consumption curve shows the impact of price changes on the purchase of both goods, while the demand curve only shows the impact of a price change on the purchases of that one good.

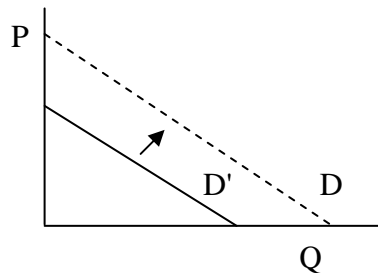
- b. The axes for the price-consumption graph are the quantities of the two goods, while the axes for the demand graph are price and quantity of one good
- c. Answer (a) is correct, but (b) is not
- d. Both (a) and (b) are correct

9. Figure 5.13 (p.146) shows biscuit demand curves for several different individuals. These demand curves have been constructed so that elasticity remains constant as you move along one demand curve (notice that the demand curves are not linear). Additional relevant information is provided in Application 5.2 (p.145). However, elasticity is different for different consumers. Which consumer has the most inelastic demand for biscuits?

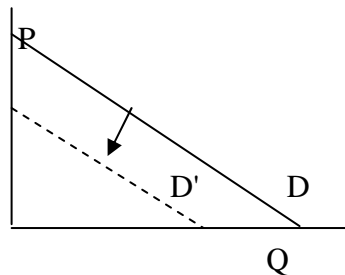
- a. blue
- b. brown
- c. yellow
- d. green

10. Application 5.3 (p.154) describes an inferior good. Which of the following diagrams illustrates the impact of a recession on an inferior good?

a.



b.



**End-of-Chapter 5 Questions** (BW p.164)

- 5.3
- 5.6
- 5.8
- 5.9
- 5.11
- 5.12
- 5.13
- 5.14