Quiz 3

Name:

Student ID:

1. The ratio of the prices of two goods multiplied by -1 is equal to the slope of the budget line. (A)
   a. True
   b. False

2. A consumer's budget line shows (B)
   a. the utility that an individual would receive from consuming various combinations of two goods
   b. the combinations of two goods that an individual is able to purchase, given prices and income
   c. how income is influenced by prices of goods
   d. how changes in income affect utility
   e. the relationship between prices and income

3. A family on a trip budgets $800 for restaurant meals and fast food. The family can buy 16 restaurant meals if they don't buy any fast food. What is the price of a restaurant meal for the family? (E)
   a. $5
   b. $16
   c. $20
   d. $50
   e. it is impossible to tell from the information given

4. If food is measured on the horizontal axis of a budget line diagram, and clothing is measured on the vertical axis, the slope of the budget line (E)
   a. may be positive if the price of clothing is high enough
   b. may be positive if the price of food is high enough
   c. may be positive if income is large enough
   d. equals minus the maximum consumption of food divided by the maximum consumption of clothing
   e. equals minus the maximum consumption of clothing divided by the maximum consumption of food

5. The slope of the budget line (B)
   a. is always -1
   b. represents the opportunity cost of consuming more units of the good measured on the horizontal axis
c. increases as more of one good is consumed  
d. decreases as more of one good is consumed  
e. is negative because of the law of demand 

6. An increase in the price of the good measured on the vertical axis of a budget line diagram will (D)  
a. cause a parallel outward shift of the budget line  
b. leave the budget line unchanged  
c. cause a parallel inward shift of the budget line  
d. make the budget line flatter  
e. make the budget line steeper

7. An increase in the price of the good measured on the horizontal axis of a budget line diagram will (B)  
a. make the budget line flatter  
b. make the budget line steeper  
c. leave the budget line unchanged  
d. cause a parallel inward shift of the budget line  
e. cause a parallel outward shift of the budget line

8. If income and the prices of both goods all double, the budget line will (C)  
a. become flatter  
b. become steeper  
c. remain unchanged  
d. experience a parallel outward shift  
e. experience a parallel inward shift

9. The term utility in economics refers to the (A)  
a. satisfaction received by individuals from consuming goods and services  
b. real income available to consumers for purchasing goods and services  
c. relationship between the demand for a product and the supply of a product  
d. usefulness of a good or service  
e. slope of the budget line

10. The principle of diminishing marginal utility implies that total utility falls as consumption rises above a certain level. (B)  
a. True  
b. False