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Microeconomic Theory Basic Principles and Extensions 12th edition by Walter Nicholson, Christopher M. Snyder test bank

Chapter 2. Mathematics for Microeconomics.

1. Indifference curves:
    a. may sometimes intersect.
    b. are contour lines only of a linear utility function.
    c. are convex if the utility function is quasi-concave.
    d. shift when prices change.
ANSWER: c
POINTS: 1

2. For an individual who consumes only two goods, x and y, the opportunity cost of consuming one more unit of x in terms of how much y must be given up is reflected by:
    a. the individual's marginal rate of substitution.
    b. the market prices of x and y.
    c. the slope of the individual's indifference curve.
    d. none of the above.
ANSWER: b
POINTS: 1

3. If bundles of goods A and B lie on the same indifference curve, one can assume the individual:
    a. prefers bundle A to bundle B.
    b. prefers bundle B to bundle A.
    c. enjoys bundle A and B equally.
    d. bundle A contains the same goods as bundle B.
ANSWER: c
POINTS: 1

Questions 4 and 5 refer to an individual whose utility function is given by:

$$U(x,y) = 4x + 2y$$

4. With this utility function, the bundle (3,2) provides the same utility as the bundle:
    a. (2, 3).
    b. (2, 4).
    c. (2, 5).
    d. (3, 3).
ANSWER: b
POINTS: 1

5. For this utility function, the *MRS:*
    a. depends on the values of x and y.
    b. is always 0.
    c. is always 2.
    d. is always 4.
ANSWER: c

6. Which of these utility functions represent the same preferences as

$U(x, y) = \sqrt{xy}$? a. $U(x, y) = 10\sqrt{xy}$

b. $U(x,y) = xy$

c. $U(x,y) = \ln x + \ln y$

d. All of the above represent the same preferences.

ANSWER: d

POINTS: 1

7. If utility is given by $U(x,y) = \sqrt{xy}$, then the person's *MRS* at the point $x = 5$, $y = 2$ is given by:

   a. 0.4.

   b. 1.0.

   c. 2.5.

   d. 5.0.

ANSWER: a

POINTS: 1

8. If utility is given by $U(x,y) = x^2 + 2xy + y^2$, this person's indifference curves are:

   a. parabolas.

   b. hyperbolas.

   c. concentric circles.

   d. straight lines.

ANSWER: d

POINTS: 1

9. Which of the following utility functions best represents the idea that two goods, *x* and *y*, are perfect complements? a. $U(x,y) = \sqrt{xy}$

b. $U(x,y) = x + y$

c.

d. $U(x,y) = \min(x,y)$

ANSWER: d

POINTS: 1

10. If an individual's utility function is quasi-concave, his or her *MRS* will:

   a. diminish as *x* is substituted for *y*.

   b. increase as *x* is substituted for *y*.

   c. be undefined except in special cases.

   d. always depend only on the ratio of *x* to *y*.

ANSWER: a

POINTS: 1

11. If utility is given by $U(x,y) = \min(x,3y)$ then the bundle (3, 2) provides the same utility as the bundle:

   a. (1, 3).

   b. (2, 3).

   c. (4, 1).

   d. (4, 2).

ANSWER: c

POINTS: 1

12. Which of the following utility functions *would not* be consistent with the notion that x and y are both "goods" with positive marginal utilities?

  a. $U(x, y) = x^2 y$

  b. $U(x, y) = x + y$

  c.

  d.

ANSWER: d

POINTS: 1

Problems 13 and 14 concern the CES utility function:

$$U(x, y) = \frac{x^\delta}{\delta} + \frac{y^\delta}{\delta} \text{ for } \delta \leq 1, \delta \neq 0 \text{ and } U(x, y) = \ln x + \ln y \text{ for } \delta = 0$$

.

13. For this utility function, marginal utilities are:

  a. negative for $\delta < 0$.

  b. diminishing only for $\delta > 0$.

  c. increasing for $\delta > 0$.

  d. always positive.

ANSWER: d

POINTS: 1

14. For this utility function smaller values for δ imply:

  a. increasingly concave indifference curves.

  b. increasingly convex indifference curves.

  c. indifference curves that are convex, linear, and then concave.

  d. indifference curves that are concave, linear, and then convex.

ANSWER: b

POINTS: 1