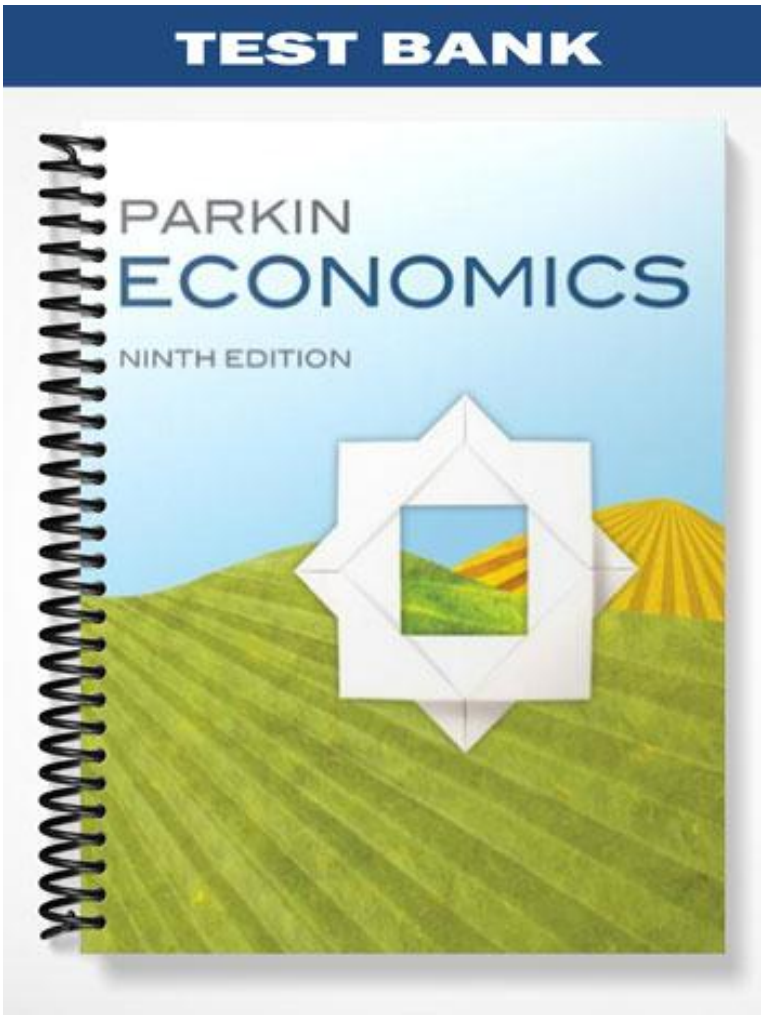
TEST BANK
PARKIN
ECONOMICS
NINTH EDITION

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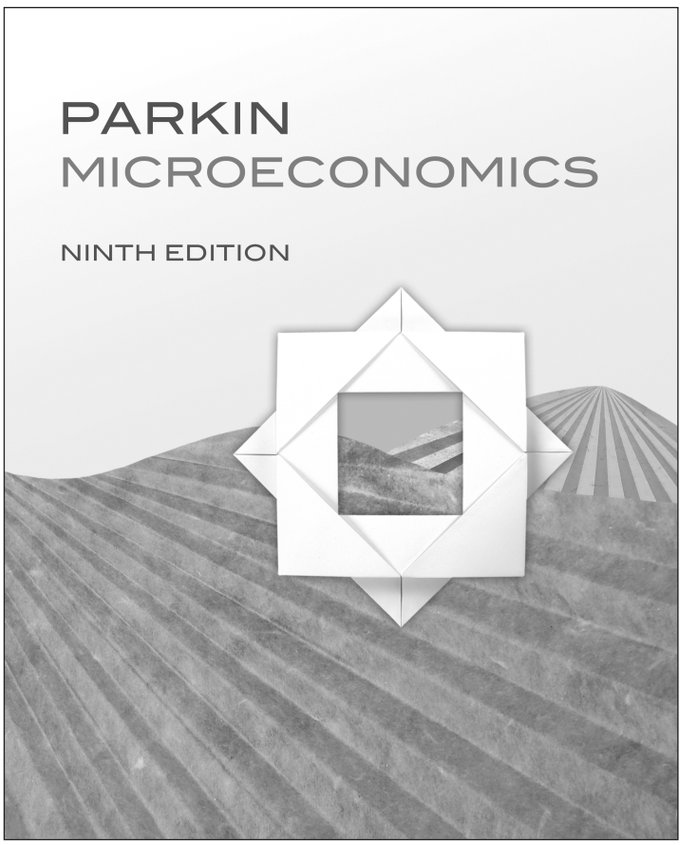
Test Bank 2

Chapters 8-13
to accompany



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Preface

■ Introduction

This book is one of six test banks, each carefully crafted to be part of the most complete package of test banks ever offered to support a beginning economics textbook. Three of the test banks are designed to accompany Michael Parkin's *Microeconomics*, Ninth Edition and three accompany Michael Parkin's *Macroeconomics*, Ninth Edition. The complete set of six books comprises *Microeconomics Test Bank*, Volumes I, II, and III and *Macroeconomics Test Bank*, Volumes I, II, and III. Volume 1 of the *Microeconomics Test Bank* contains questions from Chapters 1 through 7; volume 2 contains questions from Chapters 8 through 13; and volume 3 contains questions from Chapters 14 through 20. Volume 1 of the *Macroeconomics Test Bank* contains questions from Chapters 1 through 5; volume 2 contains questions from Chapters 6 through 9; and volume 3 contains questions from Chapters 10 through 15.

■ Test Bank Principles

Three principles guided the writing and revising of the questions:

- The questions should be "fail-safe" insofar as the topic of the questions has been explained in the textbook.
- A question should not be a guessing game forcing the students to puzzle out what the question asks.
- An instructor must be absolutely secure in the knowledge that each question contains material covered in the textbook.

I endeavored to insure that all questions meet all the criteria so that they are, as Donald Dutkowsky put it, "bullet proof."

■ Ninth Edition Revisions

We have made substantial revisions in preparing the test banks for the Ninth Edition:

- An important innovation is the inclusion of "News based multiple choice questions." These questions feature either a brief news story before the question or else a sentence or two sketching out an event in the real world. The following question(s) are then based on these real-world events. These questions will help give your students practice in applying what they are learning to the events and issues they see around them.
- The questions have all been classified using AACSB standards.
- All the questions have been reviewed to ensure consistency with the text as well as clarity for the students. Questions dealing with material eliminated from the ninth edition of the textbook were deleted and a large number of new questions were added to cover both the new as well as the old topics in the ninth edition.
- The artwork was reviewed and changed to remain consistent with the ninth edition of the textbook.
- To the greatest extent possible, the questions have been ordered so that they follow the order the material is presented in the corresponding textbook chapter. If you assign only part of a chapter to the students, it will be easy to select questions from that specific part.
- Though not strictly a new revision, it remains worthwhile to note that the test banks are available in a user-friendly computerized test bank.

■ Multiple Choice Questions

Taken together, there are nearly 15,000 multiple choice in the test banks. These questions have been written by many contributors. I have edited the questions to ensure that each conformed with the writing style established in the book because this style has been carefully crafted for maximum student comprehension. I also arranged the questions so that they are in the same order that the topics are presented within the textbook. Among questions dealing with a similar topic, the questions are ordered with non-numerical questions first, questions dealing with a numerical table second, and questions dealing with a figure third.

In addition to questions drawn directly from the text, there also are multiple choice questions that are either the same as or else closely related to the questions in the *Study Guide* and on the *MyEconLab* student website for the book. Each of these questions is identified as to its source. If you have assigned these student supplements to your class, you have the means to "reward" students who are using them by asking questions drawing on what they have been studying.

As mentioned in the revisions section, this edition includes a new style of questions,"News Based Questions." These questions feature a brief news clip or a sentence with some news or facts and then question(s) based on that information. These are practical questions that stress applying the economics the students are learning to events taking place in the world around them.

The questions in each section of the chapter are based on the material covered only in that section. However we have also included "Part Review" multiple choice questions. These sections feature questions that are drawn from material covered in more than one chapter in each Part. You can use these questions if you want more integrative questions that lead students to think about broader issues.

■ Other Styles of Questions

In addition to multiple choice questions, each chapter also features essay questions, numeric questions, graphing questions, true or false questions, and extended problems. Within each chapter, you will find each type of question grouped together—that is, the essay questions for each chapter are first, followed by the numeric/graphing questions for each chapter, and so on. In this fashion, if you want to write a strictly essay question exam, it will be easy to do so. Of course, within each chapter, the questions are arranged in the same order that the topics appear in the textbook.

For each chapter there are 3 to 5 extended problems. These questions, are, as the name implies, longer questions. Sometimes the questions for a chapter build upon each other; other times the questions are independent. These questions can be used on exam. However, they may also be given to the students and used as homework. I think the best way to view these questions is as a valuable supplement to the outstanding questions already in the textbook.

■ Final Comments

I have been teaching principles classes for over two decades, have written hundreds of exams, and won several teaching awards. Nonetheless, I was stunned by the quality of the questions in the test banks. I lost count of the number of times that I marveled at a question and wished that *I* had thought of it. While creating this test bank took significantly more effort than preparing an ordinary test bank, I am sure that the quality you will find made the task worthwhile.

Just as Sir Isaac Newton stood on the shoulders of the giants who came before him, so, too do these test banks reflect the superb work of the authors who initially wrote and compiled them. It is entirely fitting to thank them:

- Peter von Allmen of Moravian College
- Sue Bartlett of the University of South Florida
- Kevin Carey of American University
- Leo Chan of the University of Kansas
- Carol Dole of Jacksonville University
- Donald H. Dutkowsky of Syracuse University
- Andrew Foshee of McNeese State University
- James Giordano of Villanova University
- John Graham of Rutgers University
- Jill Boylston Herndon of the University of Florida
- Veronica Z. Kalich of Baldwin-Wallace College
- Sang Lee of Southeastern Louisiana University
- William Mosher of Clark University
- Melinda Nish of Salt Lake Community College
- Constantin Oglobin of Georgia Southern University

- Terry Olson of Truman State University
- Ed Price of Oklahoma State University
- Jeff Reynolds of Northern Illinois University
- Rochelle L. Ruffer of Youngstown State University
- Virginia Shingleton of Valparaiso University
- Della Sue of Marist College
- Nora Underwood of the University of California, Davis
- Robert Whaples of Wake Forest University
- Peter A. Zaleski of Villanova University

Contributing questions for the Ninth edition are:

- Carol Dole, of Jacksonville University
- Constantin Oglobin of Georgia Southern University
- Nora Underwood of the University of California, Davis

In a previous edition, Constantin also created all the Extended Problems for the entire book. And, to be frank, working with Carol, Constantin, and Nora was a true delight: The questions they contributed are quite likely the highest quality I have ever seen!

I have tried to make these *Test Banks* as helpful and useful as possible. Undoubtedly I have made some mistakes; mistakes that you may see. I have a standing offer in the *Study Guide* asking students who find any errors to notify me and promising that I will acknowledge them in all future editions of the *Study Guide*. I will make the same offer here: If you find any errors or have any comments or questions, *please* let me know and, if you want, I will note your help in all future editions of the test banks. And so keeping this promise:

- Dr. B. N. Ghosh of Eastern Mediterranean University in North Cyprus. Dr. Ghosh found several errors and I greatly appreciate his efforts!

My address is below, or you can reach me via E-mail at MARK.RUSH@CBA.UFL.EDU.

Mark Rush
Economics Department
University of Florida
Gainesville, Florida 32611
January 2008

Parkin9e_MicTB2_TP_v1.qxd:Layout 1 3/16/09 3:11 PM Page 3

Contents

Chapter 8	Utility and Demand	1
Chapter 9	Possibilities, Preferences, and Choices	115
Chapter 10	Organizing Production	299
Chapter 11	Output and Costs	405
Chapter 12	Perfect Competition	551
Chapter 13	Monopoly	718

Parkin9e_MicTB2_TP_v1.qxd:Layout 1 3/16/09 3:11 PM Page 4

Chapter 8
Utility and Demand

1 Maximizing Utility

1) Utility is best defined as
   A) the amount one is willing to pay for a good.
   B) the price of a good.
   C) the satisfaction from consuming a good.
   D) the practical usefulness of a good.

Answer: C
Topic: Preferences
Skill: Recognition
AACSB: Reflective Thinking

2) Total utility describes
   A) the benefit gained from all consumption.
   B) an increase in consumption multiplied by the gain in utility.
   C) total consumption multiplied by marginal utility.
   D) total consumption divided by marginal utility.

Answer: A
Topic: Total Utility
Skill: Recognition
AACSB: Reflective Thinking

3) The total benefit that a person gets from the consumption of goods and services is called
   A) total utility.
   B) marginal utility.
   C) marginal cost.
   D) opportunity cost.

Answer: A
Topic: Total Utility
Skill: Recognition
AACSB: Reflective Thinking

4) A measure of *all* the benefit you get from all the coffee you consume is your
   A) marginal utility of coffee.
   B) marginal utility per dollar spent on coffee.
   C) total utility from coffee.
   D) marginal utility per dollar spent on coffee when you are in your consumer equilibrium.

Answer: C
Topic: Total Utility
Skill: Conceptual
AACSB: Reflective Thinking

5) Which of the following statements is true?
   A) As more of a good is consumed, its total utility increases, unless the good is subject to diminishing marginal utility.
   B) As more of a good is consumed, its total utility increases, even if the good is subject to diminishing marginal utility.
   C) No two people have identical utility functions, just as no two people have identical fingerprints.
   D) Both A and C above.

Answer: B
Topic: Total Utility
Skill: Conceptual
AACSB: Reflective Thinking

6) Which of the following is NOT an assumption of marginal utility theory?
   A) A consumer derives utility from the goods consumed.
   B) Each additional unit of consumption yields additional utility.
   C) Consumers maximize their total utility.
   D) As more of a good is consumed, the decrease in the marginal utility from the good means that the total utility from the good decreases also.

Answer: D
Topic: Total Utility
Skill: Recognition
AACSB: Reflective Thinking

7) As Sean's consumption of rice goes up, his
   A) average utility from consuming rice increases.
   B) total utility from consuming rice increases.
   C) marginal utility from consuming rice increases.
   D) elasticity of utility from consuming rice increases.

Answer: B
Topic: Total Utility
Skill: Recognition
AACSB: Reflective Thinking

8) The satisfaction that a person receives from consuming a good or service is called _____.
   A) total satisfaction
   B) marginal benefit
   C) utility
   D) marginal utility

Answer: C
Topic: Total Utility
Skill: Recognition
AACSB: Reflective Thinking

9) If you calculated *all* of the benefit you enjoy from drinking coffee, this measure would be called
A) your marginal utility of coffee.
B) your marginal utility per dollar spent on coffee.
C) your total utility from coffee.
D) your total utility per dollar from coffee.

Answer: C
Topic: Total Utility
Skill: Recognition
AACSB: Reflective Thinking

10) As an individual's consumption of a good increases,
A) his or her total utility increases.
B) his or her marginal utility increases.
C) the price of the good increases.
D) All of the above answers are correct.

Answer: A
Topic: Total Utility
Skill: Recognition
AACSB: Reflective Thinking

11) Mark's marginal utility from reading books is the _____ when he reads _____.
A) change in his total utility; one additional book
B) total utility he gets; one more book
C) change in his total utility; more books
D) consumer surplus he gets; books

Answer: A
Topic: Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

12) Marginal utility is the
A) total satisfaction that a person gets from the consumption of all of the units of a good consumed.
B) change in satisfaction that results from a one-unit increase in the quantity of a good consumed.
C) maximum price that a consumer is willing to pay for an additional unit of a good.
D) additional cost to a consumer when an additional unit of a good is consumed.

Answer: B
Topic: Marginal Utility
Skill: Recognition
AACSB: Reflective Thinking

13) _____ is the additional satisfaction a person receives from consuming an extra unit of a good.
A) Total utility
B) Marginal utility
C) Diminishing marginal utility
D) Preferences

Answer: B
Topic: Marginal Utility
Skill: Recognition
AACSB: Reflective Thinking

14) The measure of the benefit you get from consuming the *next* cup of coffee is your
A) marginal utility of coffee.
B) total utility from coffee.
C) total utility per dollar spent on coffee.
D) total utility from coffee when you are at your consumer equilibrium.

Answer: A
Topic: Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

15) Liz's marginal utility for two different goods is determined by
A) her average utility for the two goods.
B) how much benefit she gets from another unit of each of those goods.
C) summing her total utility from consumption of each good and then dividing by two.
D) All of the above answers are correct.

Answer: B
Topic: Marginal Utility
Skill: Recognition
AACSB: Reflective Thinking

16) 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.

Answer: C
Topic: Marginal Utility
Skill: Recognition
AACSB: Reflective Thinking

17) Marginal utility measures the
A) total utility from consumption.
B) additional utility from an additional unit of consumption.
C) average utility from an additional unit of consumption.
D) additional cost of an additional unit of consumption.

Answer: B
Topic: Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

18) Marginal utility is the
A) usefulness of a product.
B) utility that a person receives from the consumption of goods and services.
C) change in utility that results from a one-unit change in the quantity of a good consumed.
D) change in utility that results from a one-unit change in the price of a good consumed.

Answer: C
Topic: Marginal Utility
Skill: Recognition
AACSB: Reflective Thinking

19) Marginal utility theory assumes that when Sally must consume less of a good that she likes, her _____.
A) total utility increases
B) marginal utility increases
C) income increases
D) total utility is maximized

Answer: B
Topic: Total Utility and Marginal Utility
Skill: Recognition
AACSB: Reflective Thinking

20) Marginal utility
A) characterizes things of little use.
B) is the additional utility derived from the last unit of a good consumed.
C) is an implication of the law of demand.
D) is always negative when total utility is positive and positive when total utility is negative.

Answer: B
Topic: Diminishing Marginal Utility
Skill: Recognition
AACSB: Reflective Thinking

21) Diminishing marginal utility means that
A) Ralph will enjoy his second hamburger less than the first.
B) the total utility from one hamburger exceeds the total utility from two hamburgers.
C) the price of two hamburgers is twice the price of one.
D) beyond a certain point, total utility decreases as income rises.

Answer: A
Topic: Diminishing Marginal Utility
Skill: Recognition
AACSB: Reflective Thinking

22) When consumption of a good increases, marginal utility will
A) increase.
B) decrease.
C) remain unchanged.
D) approach total utility.

Answer: B
Topic: Diminishing Marginal Utility
Skill: Recognition
AACSB: Reflective Thinking

23) The fact that the fourth plate from the "All You Can Eat Country Buffet" generated more satisfaction than the fifth plate is an example of
A) increasing marginal utility.
B) diminishing marginal utility.
C) diminishing total utility.
D) the "paradox of value."

Answer: B
Topic: Diminishing Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

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

Answer: B
Topic: Diminishing Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

25) According to the principle of diminishing marginal utility, as the quantity of a good or service consumed increases, total utility
A) increases.
B) decreases.
C) is unchanging.
D) is zero.

Answer: A
Topic: Diminishing Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

26) As you consume more and more of any good, you experience _____ utility.
A) diminishing marginal
B) diminishing total
C) negative marginal
D) increasing marginal

Answer: A
Topic: Diminishing Marginal Utility
Skill: Recognition
AACSB: Reflective Thinking

27) The principle of diminishing marginal utility means that as you eat fewer slices of pizza, your total utility from pizza will _____ and your marginal utility from each additional slice of pizza will _____.
A) increase; decrease
B) decrease; increase
C) increase; increase
D) decrease; decrease

Answer: B
Topic: Diminishing Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

28) Liz loves to eat popcorn. Still, the more she eats, the less she wants each additional bite. Her marginal utility from popcorn is
A) diminishing.
B) negative.
C) increasing.
D) zero.

Answer: A
Topic: Diminishing Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

29) The principle of diminishing marginal utility says that
A) marginal utility is negative as the quantity of the good consumed increases.
B) total utility decreases as the quantity of the good consumed increases.
C) total utility increases by smaller and smaller amounts as the quantity of the good consumed increases.
D) total utility increases by larger and larger amounts as the quantity of the good consumed increases.

Answer: C
Topic: Diminishing Marginal Utility
Skill: Recognition
AACSB: Reflective Thinking

30) "I really enjoy watching movies. The first one is best. After that I still enjoy movies but the last one is not as much fun to watch as the one before it." This statement reflects the
A) principle of diminishing total utility.
B) principle of diminishing marginal utility.
C) principle of increasing marginal utility.
D) law of supply.

Answer: B
Topic: Diminishing Marginal Utility
Skill: Recognition
AACSB: Reflective Thinking

31) The principle of diminishing marginal utility can be used to explain why
A) Bob's second soda is less enjoyable than his first soda.
B) Bob's first soda is less enjoyable than his second soda.
C) Charlie enjoys his fourth soda less than Bob enjoys his first.
D) Bob enjoys his first soda more than Charlie enjoys his fourth.

Answer: A
Topic: Diminishing Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

32) The marginal utility of a third skirt is
A) three times the average utility of the three skirts.
B) three skirts times the price of a skirt.
C) the total utility of three skirts divided by three.
D) the change in total utility from the third skirt.

Answer: D
Topic: Diminishing Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

33) Your marginal utility from a hamburger
A) is always greater than your total utility from hamburgers.
B) is always greater than your average utility from a hamburger.
C) is always greater than the price of a hamburger.
D) depends on how many hamburgers you've already eaten.

Answer: D
Topic: Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

Cookies (pounds per week)	Homer's total utility
0	0
1	5
2	3
3	12
4	14
5	15

34) The above table gives the total utility that Homer obtains from consuming various quantities of chocolate chip cookies. The marginal utility from the fifth pound of cookies is
A) 1.
B) 2.
C) 3.
D) 15.

Answer: A
Topic: Marginal Utility
Skill: Analytical
AACSB: Analytical Skills

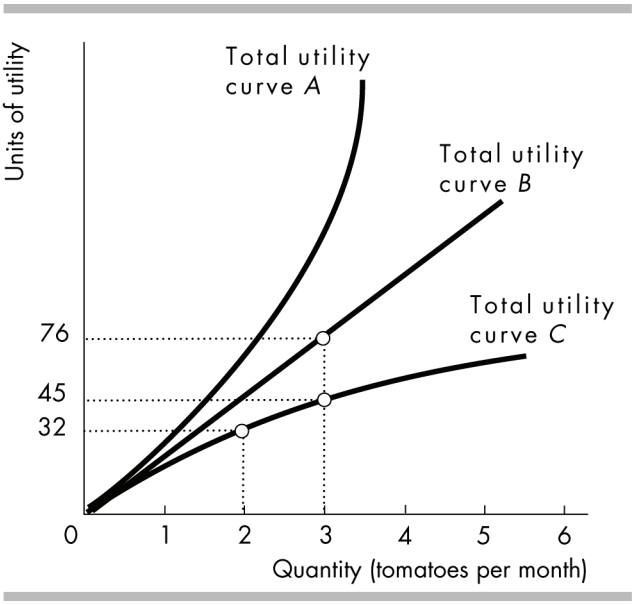
35) The above table gives the total utility that Homer obtains from consuming various quantities of chocolate chip cookies. The marginal utility from the third pound of cookies is
A) 3.
B) 4.
C) 9.
D) 12.

Answer: A
Topic: Marginal Utility
Skill: Analytical
AACSB: Analytical Skills

Units consumed	Jim's total utility	Sally's total utility
1	12	16
2	22	26
3	30	34
4	36	35

36) In the table above, which of the following is true?
A) Jim and Sally have increasing marginal utility.
B) Jim has increasing marginal utility and Sally has diminishing marginal utility.
C) Jim has diminishing marginal utility and Sally has increasing marginal utility.
D) Jim and Sally have diminishing marginal utility.

Answer: D
Topic: Marginal Utility
Skill: Analytical
AACSB: Analytical Skills



37) In the figure above, diminishing marginal utility is shown by
A) total utility curve *A*.
B) total utility curve *B*.
C) total utility curve *C*.
D) all three curves.

Answer: C
Topic: Total Utility
Skill: Conceptual
AACSB: Analytical Skills

38) In the figure above, the curve that shows the diminishing marginal utility is
A) total utility curve *A* because it gets steeper as consumption of tomatoes increases.
B) total utility curve *A* because it is higher than total utility curves *B* or *C*.
C) total utility curve *C* because it gets flatter as consumption of tomatoes increases.
D) total utility curve *C* because it is lower than total utility curves *B* and *C*.

Answer: C
Topic: Total Utility and Marginal Utility
Skill: Conceptual
AACSB: Analytical Skills

39) In the figure above, the marginal utility of the third crate of tomatoes for the person with total utility curve *C* is
A) 13 units of utility.
B) 16 units of utility.
C) 32 units of utility.
D) 45 units of utility.

Answer: A
Topic: Total Utility and Marginal Utility
Skill: Analytical
AACSB: Analytical Skills

40) As consumption of a good decreases, its marginal utility _____ and its total utility _____.
A) increases; increases
B) increases; decreases
C) decreases; increases
D) decreases; decreases

Answer: B
Topic: Total Utility and Marginal Utility
Skill: Recognition
AACSB: Reflective Thinking

41) As the quantity of a good consumed increases, its marginal utility _____ and its total utility _____.
A) increases; increases
B) increases; decreases
C) decreases; increases
D) decreases; decreases

Answer: C
Topic: Total Utility and Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

42) The total utility from three skirts is
A) three times the marginal utility of the third skirt.
B) three times the price of a skirt.
C) three skirts divided by total income.
D) the sum of the marginal utility of the first skirt plus the marginal utility of the second skirt plus the marginal utility of the third skirt.

Answer: D
Topic: Total Utility and Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

43) As more of a good is consumed, total utility _____, marginal utility _____.
A) increases; is unaffected
B) increases; increases
C) decreases; decreases
D) increases; decreases

Answer: D
Topic: Total Utility and Marginal Utility
Skill: Recognition
AACSB: Reflective Thinking

44) As Goldilocks consumes more gummy bears, her total utility _____ and her marginal utility from gummy bears _____.
A) increases; increases
B) increases; decreases
C) decreases; increases
D) decreases; decreases

Answer: B
Topic: Total Utility and Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

45) As Sally increases her consumption of a good, she experiences diminishing marginal utility if her total utility
A) increases at a constant rate.
B) increases at a decreasing rate.
C) increases at an increasing rate.
D) diminishes.

Answer: B
Topic: Total Utility and Marginal Utility
Skill: Recognition
AACSB: Reflective Thinking

46) The principle of diminishing marginal utility implies that the
A) marginal utility of a product is negative.
B) total utility from a product is also diminishing as more units are consumed.
C) rate of change of total utility is diminishing as more units are consumed.
D) rate of change of marginal utility is very low as more units are consumed.

Answer: C
Topic: Total Utility and Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

47) If marginal utility is positive but diminishing, as more units of a good are consumed, then the total utility from the good must be
A) falling.
B) positive and rising at an increasing rate.
C) positive and rising at a decreasing rate.
D) positive and rising at any rate.

Answer: C
Topic: Total Utility and Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

48) As you consume additional hamburgers, the relationship between total and marginal utility is that
A) both total and marginal utility increase continuously.
B) both total and marginal utility decrease continuously.
C) total utility increases, but marginal utility decreases.
D) total utility decreases, but marginal utility increases.

Answer: C
Topic: Total Utility and Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

49) As Shana's consumption of tacos decreases, her
A) marginal utility from tacos increases.
B) marginal utility from tacos decreases.
C) total utility from tacos increases.
D) both total and marginal utility from tacos decrease.

Answer: A
Topic: Total Utility and Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

50) A decrease in consumption will result in
A) both total utility and marginal utility decreasing.
B) total utility increasing, but marginal utility decreasing.
C) total utility decreasing, but marginal utility increasing.
D) both total utility and marginal utility increasing.

Answer: C
Topic: Total Utility and Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

51) As consumption increases, total utility increases
A) at an increasing rate.
B) at a decreasing rate.
C) at a constant rate.
D) and marginal utility increases.

Answer: B
Topic: Total Utility and Marginal Utility
Skill: Recognition
AACSB: Reflective Thinking

52) Which of the following statements is correct? As consumption increases,
A) total utility increases while marginal utility decreases.
B) marginal utility increases while total utility decreases.
C) both marginal and total utility increase.
D) both marginal and total utility decrease.

Answer: A
Topic: Total Utility and Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

53) As an individual consumes more and more units of a good
A) total and marginal utility both decrease.
B) total utility decreases, but marginal utility increases.
C) total utility increases, but marginal utility decreases.
D) total and marginal utility both increase.

Answer: C
Topic: Total Utility and Marginal Utility
Skill: Recognition
AACSB: Reflective Thinking

54) The total utility you get from eating slices of pizza on a given night is the
A) marginal utility of the last slice times the total number of slices eaten.
B) sum of the differences in marginal utility as you increase the number of slices eaten.
C) sum of the marginal utilities of all slices eaten.
D) sum of the marginal utilities per dollar spent on all slices eaten.

Answer: C
Topic: Total Utility and Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

55) If marginal utility is positive but diminishing, then total utility must be _____ as consumption of the good increases.
A) decreasing
B) positive and rising at an increasing rate
C) positive and rising at a decreasing rate
D) positive and rising at any rate

Answer: C
Topic: Total Utility and Marginal Utility
Skill: Conceptual
AACSB: Reflective Thinking

Pizza		Pepsi	
Slices per week	Total utility	Quantity per week	Total utility
0	0	0	0
1	100	1	70
2	150	2	130
3	175	3	180
4	190	4	220
5	195	5	250

56) The table shows Elaine's utility from pizza and Pepsi. If Elaine consumes 2 slices of pizza and 3 Pepsi's, her marginal utility from an additional Pepsi is _____ units.
A) 60
B) 54
C) 40
D) 220

Answer: C
Topic: Marginal Utility
Skill: Analytical
AACSB: Analytical Skills

Quantity	Total utility	Marginal utility
0	0	
1	250	
2		180
3	580	
4	700	
5		100

57) The above table gives some of Tammy's total and marginal utilities from comedy videos. Which of the following statements is true?
A) Tammy's marginal utility from the third comedy video is equal to 580/3.
B) Tammy's total utility from five comedy videos is 800.
C) Tammy's marginal utility from the first comedy video is less than her marginal utility from the third comedy video.
D) None of the above answers are correct.

Answer: B
Topic: Total Utility and Marginal Utility
Skill: Analytical
AACSB: Analytical Skills

Box of doughnuts	Homer's total utility
1	30
2	55
3	75
4	90
5	100
6	103

58) The above table shows Homer's total utility from boxes of doughnuts. As Homer's consumption of doughnuts increases,
A) both his total utility and his marginal utility increase.
B) his total utility increases, but his marginal utility decreases.
C) his total utility decreases, but his marginal utility increases.
D) both his total utility and his marginal utility decrease.

Answer: B
Topic: Total Utility and Marginal Utility
Skill: Conceptual
AACSB: Analytical Skills

59) The above table shows Homer's utility from boxes of doughnuts. If Homer decreases his consumption of doughnuts from 4 boxes to 3 boxes, his
A) total utility and marginal utility will both decrease.
B) total utility will decrease, but his marginal utility will increase.
C) total utility will increase, but his marginal utility will decrease.
D) total utility and marginal utility will both increase.

Answer: B
Topic: Total Utility and Marginal Utility
Skill: Conceptual
AACSB: Analytical Skills

60) The above table shows Homer's utility from boxes of doughnuts. The marginal utility that Homer receives from the third box of doughnuts is equal to
A) 75.
B) 25.
C) 20.
D) 3.

Answer: C
Topic: Marginal Utility
Skill: Conceptual
AACSB: Analytical Skills

61) The above table shows Homer's utility from boxes of doughnuts. As Homer's consumption of doughnuts increases, his
A) marginal utility is positive and increasing.
B) marginal utility is positive but decreasing.
C) marginal utility is negative but increasing.
D) marginal utility is negative and decreasing.

Answer: B
Topic: Marginal Utility
Skill: Conceptual
AACSB: Analytical Skills

Quantity of cheeseburgers	Total utility from cheeseburgers
1	36
2	66
3	86
4	100
5	110

62) Julie's total utility from cheeseburgers is given in the table above. What is the marginal utility of the third cheeseburger?
A) 86
B) 28.7
C) 20
D) 14

Answer: C
Topic: Total Utility and Marginal Utility
Skill: Analytical
AACSB: Analytical Skills

Quantity of ice cream	Total utility from ice cream
0	0
1	80
2	150
3	210
4	260

63) Give the data in the above table, what is the marginal utility of the third unit of ice cream?
A) 80 utils
B) 70 utils
C) 60 utils
D) 230 utils

Answer: C
Topic: Total Utility and Marginal Utility
Skill: Analytical
AACSB: Analytical Skills

Fritos		Fruit drinks	
Quantity	Total utility	Quantity	Total utility
0	0	0	0
1	40	1	50
2	75	2	95
3	105	3	135
4	130	4	170
5	150	5	200
6	165	6	225

64) The table above shows the total utility from the two goods Freddy likes to consume. A graph showing Freddy's total utility from consumption of Fritos would be
A) an upward sloping curve as more Fritos are consumed.
B) a downward sloping curve that becomes less steep as more Fritos are consumed.
C) an upward sloping curve for Fritos that becomes steeper as more Fritos are consumed.
D) None of the above answers is correct.

Answer: A
Topic: Total Utility
Skill: Analytical
AACSB: Analytical Skills

65) The table above shows the total utility from the two goods Freddy likes to consume. The marginal utility Freddy receives from consuming an extra bag of Fritos
A) depends on the quantity of fruit drinks consumed.
B) decreases as he consumes more bags of Fritos.
C) decreases as he consumes more fruit drinks.
D) equals 75 when he consumes 2 bags of Fritos.

Answer: B
Topic: Marginal Utility
Skill: Analytical
AACSB: Analytical Skills

66) The table above shows the total utility from the two goods Freddy likes to consume. Freddy's marginal utility
A) increases from 25 to 50 as he consumes more fruit drinks.
B) decreases from 40 when he eats one bag of Fritos to 35 when he eats one more bag.
C) increases from 40 when he eats one bag of Fritos to 75 when he eats one more bag.
D) from consuming Fritos is more than the marginal utility from consuming an equal number of fruit drinks.

Answer: B
Topic: Marginal Utility
Skill: Analytical
AACSB: Analytical Skills

67) The table above shows the total utility from the two goods Freddy likes to consume. Suppose that Freddy has already eaten 5 bags of Fritos. If he consumes one more bag, his marginal utility will
A) equal 40.
B) equal 35.
C) equal 15.
D) depend on the price of the extra bag.

Answer: C
Topic: Marginal Utility
Skill: Analytical
AACSB: Analytical Skills

68) The table above shows the total utility from the two goods Freddy likes to consume. If Freddy has consumed 4 fruit drinks and then decides to drink another,
A) his total utility will increase.
B) the marginal utility from the 5th drink equals 30.
C) the marginal utility from the 5th drinks equals 50.
D) Both answers A and B are correct.

Answer: D
Topic: Total Utility and Marginal Utility
Skill: Analytical
AACSB: Analytical Skills

69) The table above shows the total utility from the two goods Freddy likes to consume. In order to know Freddy's utility maximizing combination of Fritos and fruit drinks, we need to know
A) the price of Fritos.
B) the price of fruit drinks.
C) Freddy's income.
D) all of the above

Answer: D
Topic: Maximizing Utility
Skill: Analytical
AACSB: Analytical Skills

Quantity of magazines	Marginal utility from magazines	Quantity of gummy bears	Marginal utility from gummy bears
0		0	
1	100	1	200
2	75	2	180
3	50	3	160
4	25	4	140
5	5	5	120

70) Kelly's marginal utilities for magazines and packages of gummy bears are listed in the table above. For Kelly, what is the total utility received from consuming 5 magazines?
A) 5
B) 20
C) 25
D) 255

Answer: D
Topic: Total Utility and Marginal Utility
Skill: Analytical
AACSB: Analytical Skills

71) Kelly's marginal utilities for magazines and packages of gummy bears are listed in the table above. What is the extra utility received by Kelly when she decides to consume 3 packages of gummy bears instead of 2 packages?
A) 20
B) 160
C) 180
D) 540

Answer: B
Topic: Marginal Utility
Skill: Analytical
AACSB: Analytical Skills

Quantity of magazines	Total utility from magazines	Quantity of CDs	Total utility from CDs
0	0	0	0
1	240	1	500
2	400	2	950
3	520	3	1350
4	620	4	1650
5	680	5	1800
6	716	6	1850
7	736	7	1870
8	740	8	1875

72) The table above gives Jane's total utility from magazines and CDs. What is the marginal utility of Jane's sixth magazine?
A) 80 units
B) 60 units
C) 36 units
D) 15 units

Answer: C
Topic: Marginal Utility
Skill: Conceptual
AACSB: Analytical Skills

73) The table above gives Jane's total utility from magazines and CDs. What is the marginal utility of the sixth CD?
A) 150 units
B) 100 units
C) 50 units
D) 5 units

Answer: C
Topic: Marginal Utility
Skill: Conceptual
AACSB: Analytical Skills

74) The table above gives Jane's total utility from magazines and CDs. The price of a magazine is $4 and the price of a CD is $10. Which of the following correctly illustrates the principle of diminishing marginal utility? The fact that
A) the sixth magazine has less marginal utility than the sixth CD.
B) Jane's marginal utility per dollar from the second magazine is the same as her marginal utility per dollar from the third CD.
C) the marginal utility per dollar from the sixth magazine is less than the total utility from six magazines.
D) the marginal utility of the third CD is less than the marginal utility of second CD.

Answer: D
Topic: Diminishing Marginal Utility
Skill: Conceptual
AACSB: Analytical Skills

Quantity of coffee (cups per day)	Total utility
1	50
2	80
3	90
4	92

75) Betsy's utility depending from her consumption of coffee is shown in the table above. Betsy's marginal utility from the 3rd cup of coffee per day is
A) 30
B) 85
C) 90
D) 10

Answer: D
Topic: Total Utility and Marginal Utility
Skill: Analytical
AACSB: Analytical Skills

76) As Betsy's consumption of coffee increases, her marginal utility from coffee
A) increases.
B) decreases.
C) remains unchanged.
D) increases first and then decreases.

Answer: B
Topic: Diminishing Marginal Utility
Skill: Conceptual
AACSB: Analytical Skills

77) Betsy's utility depending from her consumption of coffee is shown in the table above. If the price of a cup of coffee is $2, Betsy's marginal utility per dollar from the 2nd cup of coffee per day is
A) 15
B) 40
C) 20
D) 32.5

Answer: A
Topic: Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

78) Fred's consumer equilibrium occurs whenever
A) he spends all of his income.
B) he allocates his income such that his utility is maximized.
C) the slopes of all of his demand curves are equal.
D) he purchases the goods he needs.

Answer: B
Topic: The Utility–Maximizing Choice
Skill: Recognition
AACSB: Reflective Thinking

79) Consumer equilibrium occurs when a consumer has allocated all available income in the way that, given the prices of goods and services,
A) total utility is maximized.
B) total utility per dollar is maximized.
C) marginal utility is maximized.
D) marginal utility per dollar is maximized.

Answer: A
Topic: The Utility–Maximizing Choice
Skill: Recognition
AACSB: Reflective Thinking

80) Which of the following statements best describes a consumer equilibrium using the marginal utility approach to consumer choice? The consumer allocates all of his or her income in say as to
A) maximize total utility.
B) maximize marginal utility.
C) minimize marginal utility.
D) minimize total utility.

Answer: A
Topic: The Utility–Maximizing Choice
Skill: Recognition
AACSB: Reflective Thinking

81) When a consumer equilibrium is attained, the consumer
A) maximizes his or her marginal utility from consuming goods and services.
B) maximizes his or her total utility from consuming goods and services.
C) receives an equal amount of total utility from each good consumed.
D) no longer faces scarcity.

Answer: B
Topic: The Utility–Maximizing Choice
Skill: Recognition
AACSB: Reflective Thinking

82) When Ramona is in consumer equilibrium,
A) her total utilities of all goods are equal.
B) she is maximizing her utility, given her income and the prices of goods and services.
C) her total utility per dollar spent is equal for all goods.
D) any change in prices would make her worse off.

Answer: B
Topic: The Utility–Maximizing Choice
Skill: Recognition
AACSB: Reflective Thinking

83) Total utility is maximized when a consumer has spent all of his or her income and
A) spent equal amounts on all goods.
B) marginal utility is maximized.
C) the total utility per dollar from all goods is equal.
D) the marginal utility per dollar from all goods is equal.

Answer: D
Topic: Utility–Maximizing Choice
Skill: Recognition
AACSB: Reflective Thinking

84) 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 total expenditure 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 marginal utility will be the same for each good.

Answer: C
Topic: Utility–Maximizing Choice
Skill: Analytical
AACSB: Reflective Thinking

85) 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's total utility is maximized.
B) consumer is in his or her consumption equilibrium.
C) marginal utilities for *each* good are maximized.
D) Both answers A and B are correct.

Answer: D
Topic: The Utility–Maximizing Choice
Skill: Conceptual
AACSB: Reflective Thinking

86) Joe wants to allocate his income between pizza and movies. To maximize his utility, he will choose a bundle where the
A) marginal utility of both goods is maximized.
B) total utility from both goods is equal.
C) marginal utility from both goods is equal.
D) marginal utility per dollar from both goods is equal.

Answer: D
Topic: The Utility–Maximizing Choice
Skill: Conceptual
AACSB: Reflective Thinking

87) If the price of a good increases, all else the same, then the consumer's total utility will
A) increase.
B) decrease.
C) remain the same as consumption shifts to cheaper goods.
D) decrease if there are no substitutes for the good and remain the same if there are substitutes for the good.

Answer: B
Topic: The Utility–Maximizing Choice
Skill: Conceptual
AACSB: Reflective Thinking

88) Which of the following occur when a person maximizes utility?
I. the marginal utility of each good bought is equal
II. the highest level of utility is attained
III. all of a person's budget is spent
A) I and II
B) I and III
C) II and III
D) I, II and III

Answer: C
Topic: The Utility–Maximizing Choice
Skill: Conceptual
AACSB: Reflective Thinking

89) Suppose that Freda receives $500 as income each week. If she spends the $500 each week and equalizes the marginal utility per dollar that she spends,
A) Freda is at a consumer equilibrium.
B) Freda is maximizing her total utility.
C) Freda's total utility will decline.
D) Freda will reduce her marginal utility.

Answer: A
Topic: The Utility–Maximizing Choice
Skill: Conceptual
AACSB: Reflective Thinking

Apples		Tacos	
Quantity	Total utility	Quantity	Total utility
1	5	1	10
2	9	2	18
3	12	3	24
4	15	4	28
5	16	5	30

90) Sally derives utility from consuming apples and tacos as shown in the table above. Apples cost $1 each and tacos cost $2 each. If Sally's income is $9, she will consume
A) 5 apples and 2 tacos.
B) 3 apples and 3 tacos.
C) 1 apple and 4 tacos.
D) no apples and 4 1/2 tacos.

Answer: B
Topic: Utility–Maximizing Choice
Skill: Analytical
AACSB: Analytical Skills

91) A consumer has maximized his or her utility by consuming
A) at the midpoint of the budget constraint line.
B) at the midpoint of the demand curve.
C) so that the total utility of all goods consumed is the same.
D) so that the ratio of marginal utility to price is the same for all goods consumed.

Answer: D
Topic: Equalizing Marginal Utility per Dollar
Skill: Recognition
AACSB: Reflective Thinking

92) Total utility is maximized when the _____ for all goods.
A) marginal utility per dollar spent is equal
B) marginal utilities are zero
C) marginal utilities are maximized
D) marginal utilities are negative

Answer: A
Topic: Equalizing Marginal Utility per Dollar
Skill: Recognition
AACSB: Reflective Thinking

93) As long as the marginal utility per dollar spent on pizza is greater than the marginal utility per dollar spent on soda, then to maximize utility a consumer will buy
A) more soda to equalize the marginal utility per dollar between soda and pizza.
B) less pizza and less soda.
C) more pizza and less soda.
D) equal amounts of pizza and soda.

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Conceptual
AACSB: Reflective Thinking

94) To maximize total utility, a consumer equates the
A) total utility from each good.
B) marginal utility from each good.
C) marginal utility per dollar spent on each good.
D) total utility per dollar spent on each good.

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Recognition
AACSB: Reflective Thinking

95) To maximize her utility, Pat should spend her money in such a way that
A) the marginal utility of the last unit of each product consumed is the same.
B) the marginal utility per dollar from each product consumed is the same.
C) her total expenditure on each product consumed is the same.
D) her price elasticity of demand for each product consumed is the same.

Answer: B
Topic: Equalizing Marginal Utility per Dollar
Skill: Conceptual
AACSB: Reflective Thinking

96) When Frankie spends his money in such a way that the marginal utility per dollar is the same for all products he consumes, Frankie has maximized
A) his marginal utility.
B) his total utility.
C) the number of products he consumes.
D) his total expenditure on all products.

Answer: B
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Reflective Thinking

97) Keesha consumes only milkshakes and burgers. At her consumer equilibrium, which of the following is true?
A) The marginal utility per dollar spent on a milkshake will exceed the marginal utility per dollar spent on a burger if she likes burgers more than milkshakes.
B) The marginal utility per dollar spent on a burger will exceed the marginal utility per dollar spent on a milkshake if she likes burgers more than milkshakes.
C) The marginal utility per dollar spent will be the same for each good.
D) The marginal utility will be the same for each good.

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Reflective Thinking

98) Keesha consumes only milkshakes and burgers. Once at her consumer equilibrium, what would happen if she changed her consumption by purchasing one more milkshake and one fewer burger?
A) The marginal utility of a burger would decrease.
B) The marginal utility of a milkshake would increase.
C) The total utility from the consumption of both goods would decrease.
D) all of the above

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Reflective Thinking

99) If Katie purchases two slices of pizza and six breadsticks to maximize her total utility, then
A) a slice of pizza costs three times as much as a breadstick.
B) a breadstick costs three times as much as a slice of pizza.
C) her marginal utility from the second slice of pizza divided by the price of a slice of pizza is equal to her marginal utility from the sixth breadstick divided by the price of a breadstick.
D) Both answers A and C are correct.

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Reflective Thinking

100) You are at your consumer equilibrium. Hot dogs and hamburgers have the same marginal utility. Thus
A) your total utility from all previous hot dogs eaten must be the same as your total utility from all previous hamburgers eaten.
B) the price of a hot dog and the price of a hamburger must be the same.
C) you must be eating the same number of hot dogs and hamburgers.
D) Both answers B and C are correct.

Answer: B
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Reflective Thinking

101) Suppose the price of a soda is $2 each, the price of a hot dog is $3 each and the budget is $20. If the marginal utility of the fourth soda is 100 and the marginal utility of the fourth hot dog is 150, to maximize utility, a person will buy
A) 4 sodas and 4 hot dogs.
B) more hotdogs than 4 and fewer sodas than 4 because hot dogs provide more utility.
C) buy more sodas than 4 to increase their utility.
D) fewer sodas than 4 and more hot dogs than 4.

Answer: A
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Reflective Thinking

102) Geneva is definitely NOT at her consumer equilibrium for movies and compact discs if her
A) average utility from movies does not equal her average utility from compact discs.
B) total utility from movies does not equal her average utility from compact discs.
C) marginal utility from the last movie she selected does not equal her marginal utility from the last compact disc selected.
D) marginal utility from the last dollar spent for movies does not equal her marginal utility from the last dollar spent for compact discs.

Answer: D
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Reflective Thinking

103) If a consumer spends all of his or her income and the marginal utility per dollar spent is equal for all goods, then
A) marginal utility is maximized.
B) total utility is maximized.
C) a consumer could not be better off even with greater income.
D) the proportion of income spent on each good must be equal.

Answer: B
Topic: Equalizing Marginal Utility per Dollar
Skill: Conceptual
AACSB: Reflective Thinking

104) A consumer maximizes total utility when all available income is spent and the
A) marginal utility from each good is equal for all goods.
B) marginal utility per dollar from each good is equal for all goods.
C) dollars spent on the last unit of each good are equal for all goods.
D) total utility from all goods purchased is equal.

Answer: B
Topic: Equalizing Marginal Utility per Dollar
Skill: Conceptual
AACSB: Reflective Thinking

105) Bobby consumes only chocolate ice cream and vanilla ice cream. He is spending all of his income. His marginal utility of chocolate is 100 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) buy more chocolate ice cream and less vanilla ice cream.
B) buy more vanilla ice cream and less chocolate ice cream.
C) not change his purchases between chocolate ice cream and vanilla ice cream.
D) buy no chocolate ice cream.

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

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

Answer: A
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

107) 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 100, and the price of chocolate is $2.00 per scoop and the price of vanilla is $1.00 per scoop. Bobby has maximized his
A) marginal utility of chocolate ice cream.
B) marginal utility of vanilla ice cream.
C) marginal utilities of chocolate ice cream and vanilla ice cream.
D) maximized his total utility.

Answer: D
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

108) Robinson spends all his income on mangos and bananas. Mangos cost $3 per pound and bananas cost $1 per pound. The marginal utility is 30 for the last pound of mangos purchased and 10 for the last pound of bananas. To maximize his utility, Robinson should buy
A) more mangos and fewer bananas.
B) more bananas and fewer mangos.
C) the present combination of goods.
D) only mangos.

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

109) Robinson spends all his income on mangos and bananas. Mangos cost $3 per pound and bananas cost $1 per pound. The marginal utility is 24 for the last pound of mangos purchased and 10 for the last pound of bananas. To maximize his utility, Robinson should buy
A) more mangos and fewer bananas.
B) more bananas and fewer mangos.
C) the present combination of goods.
D) only mangos.

Answer: B
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

110) Robinson spends all his income on mangos and bananas. Mangos cost $3 per pound and bananas cost $1 per pound. The marginal utility is 30 for the last pound of mangos purchased and 8 for the last pound of bananas. To maximize his utility, Robinson should buy
A) more mangos and fewer bananas.
B) more bananas and fewer mangos.
C) the present combination of goods.
D) only bananas.

Answer: A
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

111) Robinson spends all his income on mangos and bananas. Mangos cost $3 per pound. Robinson's marginal utility is 30 for the last pound of mangos purchased and 10 for the last pound of bananas. If Robinson maximizes his utility from consuming these goods, the price of bananas is
A) $0.50 per pound.
B) $1 per pound.
C) $2 per pound.
D) $3 per pound.

Answer: B
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

112) Brian consumes only pizza and soda. When the price of a soda is $2 and the price of a slice of pizza is $4, Brian maximizes his utility by buying 5 sodas and 10 slices of pizza. If the marginal utility of the 5th soda is 100 units of utility, then the marginal utility from the 10th slice of pizza must be _____ units of utility.
A) 200
B) 100
C) 50
D) More information is needed to determine the marginal utility of the 10th slice of pizza.

Answer: A
Topic: Equalizing Marginal Utility per Dollar
Skill: Conceptual
AACSB: Analytical Skills

113) Suppose the price of soda is $2 each and the price of a pizza slice is $4 each. Jean maximizes utility and buys only sodas and slices of pizza. If the price of a soda increases to $3 each, Jean's marginal utility per soda
A) will increase and she'll buy more soda.
B) will decrease and she'll buy fewer sodas.
C) will decrease and she'll buy more pizza.
D) Both B and C are correct.

Answer: D
Topic: Equalizing Marginal Utility per Dollar
Skill: Conceptual
AACSB: Analytical Skills

Bags of Popcorn		Bottles of soda	
Quantity	Marginal utility	Quantity	Marginal utility
1	100	1	60
2	80	2	50
3	60	3	30
4	50	4	20

114) In the table above, if Brent maximizes his utility by consuming 3 bags of popcorn and 3 bottles of soda, then the ratio of the price of popcorn to the price of soda must be
A) 1/2.
B) 5/6.
C) 6/5.
D) 2.

Answer: D
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

115) Jenny buys sodas and popcorn. Sodas sell for $1 and popcorn sells for $2 a bag. Currently she is in consumer equilibrium, with the marginal utility from her last dollar spent on popcorn equal to 100 units of utility. The marginal utility from her last dollar spent on sodas is
A) 20 units of utility.
B) 30 units of utility.
C) 50 units of utility.
D) 100 units of utility.

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

116) Let MU_a and MU_b stand for the marginal utilities of apples and bagels. Let P_a and P_b stand for their prices. The general necessary condition for consumer equilibrium is
A) $MU_a = MU_b$.
B) $MU_a = MU_b$ and $P_a = P_b$.
C) $MU_a/P_a = MU_b/P_b$.
D) $MU_a/MU_b = P_b/P_a$.

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Recognition
AACSB: Analytical Skills

117) Usharani consumes 35 apples a week and 14 loaves of bread. Apples cost $1 each and bread costs $2 per loaf. Usharani is maximizing his utility and finds that the marginal utility from his 35th apple
A) equals his marginal utility from his 14th loaf of bread.
B) is twice his marginal utility from his 14th loaf of bread.
C) is half his marginal utility from his 14th loaf of bread.
D) is such that his total utility from apples equals his total utility from bread.

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

118) Shaniq has seen two movies this week and two baseball games. Her marginal utility of one more movie is 20 and her marginal utility of one more baseball game is 30. Shaniq will go to a baseball game tonight, rather than to another movie,
A) no matter how much more the baseball game costs compared to the movie.
B) if the baseball game costs $10.00 and the movie costs $7.00.
C) if the baseball game costs $10.00 and the movie costs $5.00.
D) Both answers B and C are correct.

Answer: B
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

119) Suppose that Sue is consuming 2 sub sandwiches and 3 cans of soda per day. This combination of consumption choices will maximize Sue's utility if
A) this choice equates the marginal utility per dollar spent on sandwiches and soda.
B) she can consume more sandwiches.
C) she can consume more sodas.
D) she can consume more sandwiches AND more sodas.

Answer: A
Topic: Equalizing Marginal Utility per Dollar
Skill: Conceptual
AACSB: Analytical Skills

120) Suppose Hank spends his entire budget buying 2 bagels and 3 cups of coffee each day. Also, suppose the marginal utility of the second bagel is 100 and the marginal utility of the third cup of coffee is 200. Which of the following statements is true?
A) Hank is not maximizing his utility.
B) Hank will be maximizing his utility as long as the price of a cup of coffee is twice the price of a bagel.
C) Hank might be maximizing utility only if the price of a cup of coffee is less than the price of a bagel.
D) Hank is not maximizing utility because he is not buying equal amounts of each good.

Answer: B
Topic: Equalizing Marginal Utility per Dollar
Skill: Conceptual
AACSB: Analytical Skills

121) Suppose Hanna spends her entire budget buying bagels and cups of coffee each day. Also, suppose the marginal utility of her last bagel is 100 and the marginal utility of her last cup of coffee is 200. If the price of a bagel is $4 and the price of a cup of coffee is $2, then
A) Hanna needs to decrease her consumption of bagels to maximize her utility.
B) Hanna needs to increase her consumption of bagels to maximize her utility.
C) Hanna should buy half as many bagels as coffee in order to maximize her utility.
D) bagels must provide more total utility than coffee.

Answer: A
Topic: Equalizing Marginal Utility per Dollar
Skill: Conceptual
AACSB: Analytical Skills

122) Sarah consumes pizzas and hamburgers. The price of a hamburger is $1 and the marginal utility from her last hamburger is 5. Let P_p be the price of a pizza and MU_p be the marginal utility of pizzas. In consumer equilibrium, the ratio MU_p/P_p for Sarah's last pizza must equal
A) 0.2.
B) 1.0.
C) 5.0.
D) infinity.

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Conceptual
AACSB: Analytical Skills

123) Jennifer consumes both apples and bread. Let P_a be the price of an apple and P_b the price of a loaf of bread. TU_a is her total utility from apples and TU_b is her total utility from bread. MU_a is her marginal utility from apples and MU_b is her marginal utility from bread. When Jennifer is in consumer equilibrium,
A) $MU_a/TU_a = MU_b/TU_b$.
B) $MU_a/P_b = MU_b/P_a$.
C) $MU_a/P_a = MU_b/P_b$.
D) $TU_a/P_b = TU_b/P_b$.

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Recognition
AACSB: Analytical Skills

124) If the price of pizza increases, the effect of the price hike is that
A) the marginal utility per dollar spent on pizza will increase.
B) the marginal utility per dollar spent on pizza will decrease.
C) the marginal utility per dollar spent on pizza will not change.
D) a person's preferences for pizza will change.

Answer: B
Topic: Equalizing Marginal Utility per Dollar
Skill: Conceptual
AACSB: Reflective Thinking

125) George spends all his income on sandwiches and juice. George's utility is maximized when he is consuming sandwiches and juice so that the
A) marginal utility from sandwiches equals the marginal utility from juice.
B) total utility from sandwiches equals the total utility from juice.
C) marginal utility per dollar spent on sandwiches equals the marginal utility per dollar spent on juice.
D) marginal utility from sandwiches is at a maximum.

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Recognition
AACSB: Reflective Thinking

126) Which of the following equations represents consumer equilibrium based on the principle of equalizing marginal utilities per dollar spent?
A) marginal utility from good A = marginal utility from good B
B) price of good A = price of good B
C) marginal utility from good A/price of good A = marginal utility of good B/price of good B
D) total utility from good A = total utility from good B

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Reflective Thinking

127) Sarah consumes only strawberries and cream, and she is spending all of her income. Her marginal utility of her last dish of strawberries is 200 and her marginal utility of her last pint of cream is 200. The price of strawberries is $1.00 per dish and the price of cream is $2.00 per pint. To maximize her utility, Sarah should
A) buy more strawberries and less cream.
B) buy more cream and less strawberries.
C) not change her purchases of strawberries and cream.
D) definitely buy no cream at her consumer equilibrium.

Answer: A
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

128) Michelle spends all of her income on mangos and rice. Mangos cost $2 per pound and rice costs $1.50 per pound. If Michelle is spending all of her income and the marginal utility per dollar spent is 20 for the last pound of mangos purchased and 10 for the last pound of rice purchased, then
A) Michelle is maximizing utility from her present consumption bundle.
B) Michelle should buy more rice and fewer mangos in order to maximize utility.
C) Michelle should buy more mangos and less rice to maximize utility.
D) None of the above answers is correct.

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

129) Joe consumes pizza and movies. He is currently spending his entire income and his marginal utility of pizza is 10 and his marginal utility of movies is 5. If the price of a pizza is $10 and the price of a movie is $5, then to maximize his utility Joe should
A) increase consumption of pizza and decrease consumption of movies.
B) increase consumption of movies and decrease consumption of pizza.
C) not change his current bundle of movies and pizza.
D) increase consumption of both goods.

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Conceptual
AACSB: Analytical Skills

130) Joe consumes pizza and movies. He is currently spending his entire income and his marginal utility of pizza is 15 and his marginal utility of movies is 10. If the price of a pizza is $10 and the price of a movie is $5, then to maximize his utility Joe should
A) increase consumption of pizza and decrease consumption of movies.
B) increase consumption of movies and decrease consumption of pizza.
C) not change his current bundle of movies and pizza.
D) increase consumption of both goods.

Answer: B
Topic: Equalizing Marginal Utility per Dollar
Skill: Conceptual
AACSB: Analytical Skills

131) Sam spends all of his income on textbooks and hot dogs. The price of a textbook is $40 and the price of a hot dog is $0.50. If Sam is maximizing his utility and the marginal utility he derives from the last textbook he purchases is 400, then the marginal utility he derives from his last hot dog purchased must be
A) 400.
B) 10.
C) 5.
D) 20.

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

Quantity of pizza	Total utility from pizza	Quantity of Diet Pepsi	Total utility from Diet Pepsi
0	0	0	0
1	24	1	14
2	44	2	26
3	60	3	36
4	72	4	44
5	76	5	50
6	79	6	54
7	80	7	56

132) Suppose that you consume only pizza and Diet Pepsi. The table above gives your utility from consuming these two goods. What is the marginal utility you get from the fourth slice of pizza?
A) 36
B) 18
C) 12
D) 4

Answer: C
Topic: Marginal Utility
Skill: Analytical
AACSB: Analytical Skills

133) Suppose that you consume only pizza, which costs $4 per slice, and Diet Pepsi, which costs $2 each. The table above gives your utility from consuming these two goods. If your income is $14, which of the following consumption combinations will you choose?
A) 3 slices of pizza and 1 Diet Pepsi
B) 2 slices of pizza and 3 Diet Pepsis
C) 1 slice of pizza and 5 Diet Pepsis
D) 0 slices of pizza and 7 Diet Pepsis

Answer: B
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

134) Suppose that you consume only pizza, which costs $4 per slice, and Diet Pepsi, which costs $2 each. The table above gives your utility from consuming these two goods. If your income is $20, which of the following consumption combinations will you choose?
A) 5 slices of pizza and no Diet Pepsi
B) 4 slices of pizza and 2 Diet Pepsis
C) 3 slices of pizza and 4 Diet Pepsis
D) 2 slice of pizza and 6 Diet Pepsis

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

Quantity of gasoline	Marginal utility from gasoline	Quantity of hamburgers	Marginal utility from hamburgers
1	35	1	20
2	25	2	18
3	16	3	17
4	10	4	10
5	5	5	8
6	4	6	7

135) Given the data in the above table, income of $13, a price of $1 for a gallon of gasoline and $2.00 for a hamburger, what is the marginal utility per dollar spent on the fifth hamburger?
A) 10 utils
B) 8 utils
C) 6 utils
D) 4 utils

Answer: D
Topic: Marginal Utility Per Dollar Spent
Skill: Analytical
AACSB: Analytical Skills

136) Given the data in the above table, income of $13, a price of $1 for a gallon of gasoline and $2 for a hamburger, what is the quantity of gasoline and the quantity of hamburgers that will maximize the consumer's total utility?
A) 5 gallons of gasoline and 4 hamburgers
B) 4 gallons of gasoline and 4 hamburgers
C) 1 gallon of gasoline and 6 hamburgers
D) 6 gallons of gasoline and 6 hamburgers

Answer: A
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

137) Given the data in the above table, income of $13, a price of $1 for a gallon of gasoline and $2 for a hamburger, what is the marginal utility per dollar spent on gasoline and on hamburgers when the consumer is in consumer equilibrium?
A) 20 utils per dollar spent
B) 10 utils per dollar spent
C) 5 utils per dollar spent
D) 1 utils per dollar spent

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

138) Given the data in the above table, if income is $16, and the price is $1 for a gallon of gasoline and $2 for a hamburger, what is the quantity of gasoline and the quantity of hamburgers that will maximize the consumer's total utility?
A) 5 gallons of gasoline and 5 hamburgers
B) 4 gallons of gasoline and 6 hamburgers
C) 6 gallons of gasoline and 5 hamburgers
D) 6 gallons of gasoline and 6 hamburgers

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

Quantity of pens	Total utility from pens	Quantity of pencils	Total utility from pencils
0	0	0	0
1	90	1	70
2	155	2	120
3	200	3	150
4	225	4	165
5	240	5	174
6	246	6	176

139) The table above gives the utility from pens and pencils. The marginal utility derived from the third pen is
A) 200.
B) 155.
C) 445.
D) 45.

Answer: D
Topic: Marginal Utility
Skill: Analytical
AACSB: Analytical Skills

140) The table above gives the utility from pens and pencils. If pens and pencils both cost $.25 each and the consumer has an income of $2.25, which of the following combinations maximizes the consumer's utility?
A) 3 pens and 6 pencils
B) 4 pens and 5 pencils
C) 5 pens and 4 pencils
D) 6 pens and 3 pencils

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

141) The table above gives the utility from pens and pencils. If the consumer has an income of $4, pens cost $1, and pencils cost $.20, which of the following combinations maximizes the consumer's utility?
A) 4 pens and 0 pencils
B) 3 pens and 5 pencils
C) 3 pens and 6 pencils
D) no combination shown

Answer: B
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

142) The table above gives the utility from pens and pencils. If the consumer has an income of $4, pens cost $1, and pencils cost $.20, what is the consumer's total utility when he or she maximizes utility?
A) 374
B) 225
C) 405
D) 365

Answer: A
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

Hours spent	Total utility from sailing	Total utility from skiing
1	50	50
2	90	90
3	120	120
4	140	140

143) As shown in the above table, Sam enjoys sailing and skiing equally well. Which of the following is true?
A) Sam will not consume the same number of hours of sailing and skiing if the price per hour of sailing is more than that of skiing.
B) If the prices per hour of sailing and skiing are the same, Sam will not spend the same number of hours at each activity.
C) The marginal utility of the 3rd hour of either sailing or skiing is 120.
D) None of the above is true.

Answer: A
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

Quantity of videos	Total utility from videos	Quantity of CDs	Total utility from CDs
0	0	0	0
1	250	1	400
2	430	2	700
3	580	3	900
4	700	4	1000
5	800	5	1060

144) The above table shows Tammy's total utility from videos and CDs. If Tammy has $70 to spend on videos and CDs and if the price of a video is $10 and the price of a CD is $20, then Tammy maximizes utility by purchasing
A) 3 CDs and 1 video.
B) 1 CD and 5 videos.
C) 2 CDs and 3 videos.
D) none of the above

Answer: C
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

145) The above table shows Tammy's total utility from videos and CDs. If Tammy has $70 to spend on videos and CDs and if the price of a video is $10 and the price of a CD is $20, then the maximum utility attainable by Tammy is
A) 450.
B) 1280.
C) 1150.
D) 1200.

Answer: B
Topic: Maximizing Utility
Skill: Analytical
AACSB: Analytical Skills

146) The above table shows Tammy's total utility from videos and CDs. If Tammy has $110 to spend on videos and CDs and if the price of a video is $10 and the price of a CD is $20, then Tammy maximizes utility by purchasing
A) 3 CDs and 5 videos.
B) 5 CDs and 1 video.
C) 4 CDs and 3 videos.
D) none of the above

Answer: A
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

147) The above table shows Tammy's total utility from videos and CDs. If Tammy has $110 to spend on videos and CDs and if the price of a video is $10 and the price of a CD is $20, then the maximum utility attainable by Tammy is
A) 1700.
B) 300.
C) 1580.
D) 250.

Answer: A
Topic: Maximizing Utility
Skill: Analytical
AACSB: Analytical Skills

Quantity of soda	Marginal utility from soda	Quantity of pizza	Marginal utility from pizza
1	150	1	200
2	120	2	180
3	100	3	150
4	90	4	120
5	60	5	100
6	40	6	60

148) Lisa spends all her income on pizzas and soda. The above table shows Lisa's marginal utility for pizza and marginal utility for soda. If the price of a pizza is $10, the price of a soda is $5, and Lisa has $40 to spend on the two goods, what combination of pizza and soda will maximize her utility?
A) 6 sodas and 1 pizza
B) 4 sodas and 2 pizzas
C) 2 sodas and 3 pizzas
D) 5 sodas and 4 pizzas

Answer: B
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills

149) Lisa spends all her income on pizzas and soda. The above table shows Lisa's marginal utility for pizza and marginal utility for soda. If the price of a pizza is $10 and the price of a soda is $10 and Lisa has $40 to spend on the two goods, what combination of pizza and soda will maximize her utility?
A) 1 soda and 3 pizzas
B) 2 sodas and 2 pizzas
C) 2 sodas and 4 pizzas
D) 3 sodas and 5 pizzas

Answer: A
Topic: Equalizing Marginal Utility per Dollar
Skill: Analytical
AACSB: Analytical Skills