Microeconomic Theory Basic Principles and Extensions 12th edition Nicholson Test Bank

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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

POINTS: 1

6. Which of these utility functions represent the same preferences as $U(x,y) = \sqrt{xy}$?

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

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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. $U(x,y) = |x - y|$

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).

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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. $U(x,y)=x^2y$
b. $U(x,y)=x+y$
c. $U(x,y)=x\sqrt{y}$
d. $U(x,y)=x/y$

ANSWER: d
POINTS: 1

Problems 13 and 14 concern the CES utility function:

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

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