

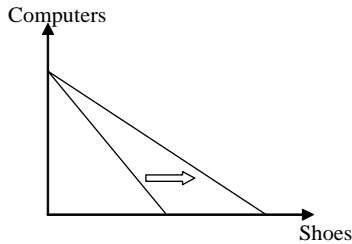
Last Name: _____ First Name: _____

Student Number: _____

Instructions: Fill in your name and student number as indicated above. Complete all questions in the space provided on the sheet. The exam is out of 12 total points, 1 point for correctly entering your name and student number and 1 point for each question.

Quiz #4

1. In a two good world, consumers maximize their utility when the marginal utility of one good divided by its price is equal _____ utility of the second good divided by its price
2. The market demand for a given good is the _____ summation of individual market demands for that good.
3. Utility is _____ when the indifference curve for an individual is tangent (i.e. touches in only one spot) to the budget line.
4. The following figure showing a shift in the budget constraint is consistent with (a) _____ change in the price of computers.



5. The own price elasticity of demand for all the goods we study in this class will have a _____ sign.
6. The cross-price elasticity for two goods that are substitutes will have a _____ sign.
7. Normal goods will always have a(n) _____ elasticity which is positive.
8. A(n) _____ curve shows combinations of two different goods that will leave you with the same level of utility.
9. Where P_c is the price of computers and P_s is the price of shoes, what is the slope of the budget line where computers are on the vertical axis and shoes are on the horizontal axis (such as in the above figure)?

10. The law of demand implies that as price increases the quantity demanded will _____.

- _____ 11. As the owner of a firm whose objective is to make as much money as possible your objective as owner will be to
- | | |
|--------------------|--------------------------|
| a. minimize costs | c. maximize revenue |
| b. maximize profit | d. hire only cheap labor |

Quiz #4
Answer Section

COMPLETION

1. ANS: marginal
2. ANS: horizontal
3. ANS: maximized (or at its highest)
4. ANS: no
5. ANS: negative
6. ANS: positive
7. ANS: income
8. ANS: indifference
9. ANS: $-P_s/P_c$
10. ANS: decrease (go down)

MULTIPLE CHOICE

11. ANS: B