

**ECON 2106 Principles of Microeconomics**  
**Assignment #4 (Chapter 6)**

Name \_\_\_\_\_

- \_\_\_ 1. The utility derived from consuming a good depends on:
- the price of the good.
  - your income level.
  - your tastes and preferences.
  - the market demand for the good.
- \_\_\_ 2. Economists assume that tastes and preferences of individuals are:
- unchanged during one's life.
  - given and are relatively stable.
  - constantly in flux.
  - determined by product prices.
- \_\_\_ 3. Which of the following best describes the economic concept of utility?
- Utility measures the satisfaction, or pleasure, that people receive from consuming a good or service.
  - Utility measures the purchasing power of individuals.
  - Utility is the total number of units of a commodity that a consumer buys.
  - Utility measures usefulness of goods, such as tools or food, and so goods such as artwork or attractive landscaping by definition has no utility.
- \_\_\_ 4. Marginal utility is defined as:
- the difference between the average satisfaction derived from one level of product consumption and any other level of product consumption.
  - the additional satisfaction resulting from an additional unit of consumption.
  - the total satisfaction derived from consuming a given amount of a product.
  - total satisfaction per unit of product consumption.
- \_\_\_ 5. The law of diminishing marginal utility states that
- as more and more units of a good or service are consumed, total utility becomes smaller and smaller.
  - as more and more units of a good or service are consumed, marginal utility becomes smaller and smaller.
  - as more and more units of a good or service are consumed, marginal utility becomes greater and greater.
  - Marginal utility is the change in total utility derived from a one-unit change in consumption of a good.
- \_\_\_ 6. The reason that you don't drink five cups of coffee at breakfast is that
- the marginal utility of extra cups of coffee eventually diminishes
  - most people cannot afford five cups
  - the total utility of coffee rises as you consume more cups
  - the price of coffee rises as you buy more cups
- \_\_\_ 7. "The second glass of Evian water was very good. May I have another?" Which of the following is necessarily true regarding this statement?
- The marginal utility of the second glass is negative.
  - The marginal utility of the 2nd glass is less than the marginal utility of the first glass.
  - The marginal utility of the second glass is positive.
  - The marginal utility of the third glass is negative.

- \_\_\_ 8. Economists assume that individuals consume products to:
- maximize consumption.
  - minimize marginal utility.
  - minimize cost.
  - maximize total utility.
- \_\_\_ 9. "I don't feel so good. I shouldn't have had that last doughnut." Which statement best describes this situation?
- The marginal utility of the last doughnut was positive.
  - The marginal utility of doughnuts is still increasing.
  - The total utility from eating doughnuts is negative.
  - The marginal utility of the last doughnut was negative.
- \_\_\_ 10. If a good is offered to you free of charge, then you
- never stop consuming it
  - stop consuming it when its marginal utility begins to fall
  - stop consuming it when its marginal utility begins to increase
  - stop consuming it when its marginal utility equals 0
- \_\_\_ 11. A rational person can be said to have achieved consumer equilibrium when:
- the total utility of each product consumed is at a maximum.
  - the marginal utility of each product consumed is at a maximum.
  - the marginal utility of each product consumed is the same.
  - the last dollar spent on each product yields the same marginal utility.
- \_\_\_ 12. If a consumer has allocated income between pizzas and movies such that utility is maximized, and as the price of pizza falls, this consumer will:
- consume more movies when equilibrium is restored.
  - consume more pizza when equilibrium is restored.
  - consume less pizzas and the same amount of movies when equilibrium is restored.
  - consume less pizzas and more movies when equilibrium is restored.
- \_\_\_ 13. Consider a consumer of baked beefsteaks and fried fish fillets. Suppose the price of a plate of baked beefsteak is \$8 and that of fried fish fillets is \$10 at a restaurant. If the marginal utility of baked beefsteak to the consumer is 20 units, compute the marginal utility of fried fish fillets, assuming that the consumer is in equilibrium.
- 25 units
  - 80 units
  - 12 units
  - 20 units
- \_\_\_ 14. Smoothies cost \$0.20 per ounce. Suppose that after a jog you usually buy an 8 ounce fresh fruit smoothie at your neighborhood juice bar. You recently won a discount coupon in a fund-raiser, which allows you to buy smoothies for \$0.15 per ounce. Now after you jog you buy the 15 ounce size of smoothie. Which of the following are consistent with this information?
- You have an upward-sloping demand for smoothies.
  - You have a perfect inelastic demand for smoothie.
  - You get more utility from the 8 ounce smoothie than from the 15 ounce smoothie.
  - You have a downward-sloping demand for smoothie.

- \_\_\_ 15. Suppose that Pedro buys a mountain bike for \$200, for which he was willing to pay up to \$300. What is Pedro's consumer surplus in this transaction?
- \$300
  - \$500
  - \$100
  - \$200
- \_\_\_ 16. In terms of utility theory, "equilibrium" in the real world means that
- households are consuming as much of every commodity as they would like
  - households have spent their incomes in such a way that their overall satisfaction is maximized
  - households have spent their incomes in such a way that their marginal utility is maximized
  - households have spent their incomes in such a way that their marginal utility is zero for every product consumed
- \_\_\_ 17. Consumer surplus, the net benefit that consumers get from market exchange, can be used to:
- measure economic welfare.
  - measure economic growth.
  - measure purchasing power of consumers.
  - measure market supply.

**Table 6-1**

Apples		Oranges	
Quantity (bags)	Total Utility	Quantity (bags)	Total Utility
0	0	0	0
1	140	1	100
2	250	2	180
3	330	3	240
4	380	4	280
5	400	5	300

- \_\_\_ 18. Refer to Table 6-1. The marginal utility of the fourth bag of oranges is which of the following?
- 280
  - 50
  - 40
  - 10
- \_\_\_ 19. Refer to Table 6-1. Assume that you have \$20 to spend; apples and oranges each cost \$4 per bag. What combination of these goods would you purchase to maximize utility?
- One bag of apples and 4 bags of oranges
  - Three bags of apples and 2 bags of oranges
  - Two bags of apples and 3 bags of oranges
  - Four bags of apples and 1 bag of oranges
- \_\_\_ 20. Refer to Table 6-1. Assume that you have \$20 to spend; apples and oranges each cost \$4 per bag. What will be the maximum total utility possible given these limitations?
- 420 total utility
  - 510 total utility
  - 570 total utility
  - 160 total utility