Easy multiple choice

Choose just 1 answer for each question.

1. A butcher shop is analyzing its different types of customers and has concluded that it can divide them into two groups with the following demands:

   - Those who buy a little: $P_c = 100 - 0.5 \times C$
   - Those who buy a lot: $P_c = 1000 - 2 \times C$

   Where P_c is the price of meat and C is the quantity of meat. Which of the following statements is correct?

   (a) If $P_c = 50$, only those who buy a little will purchase.
   (b) If $P_c = 50$, only those who buy a lot will purchase.
   (c) If $P_c = 50$, both will purchase.
   (d) If $P_c = 50$, no type of customer will purchase.
   (e) More information is needed to determine at what price they decide to buy.

2. Pedro lives in San Isidro, so he must decide whether to commute by train or Uber to downtown for work. Pedro earns $100 per extra hour at his job, which gives him a disutility of $20. The Uber ride to work always takes 40 minutes, while the train takes 1 hour 40 minutes. If the train costs $10, what is the maximum price he will be willing to pay to return by Uber?

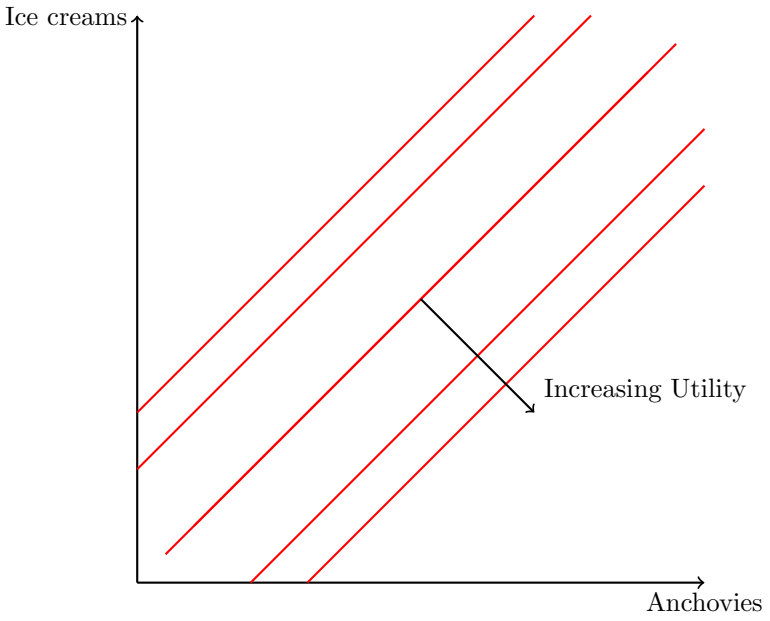
   (a) $10
   (b) $80
   (c) $90
   (d) $100
   (e) $110
   (f) None of the above is correct

3. If the cross-price elasticity of demand for yogurt with respect to the price of granola is -0.5, then we can assert that:

   (a) Granola and yogurt are normal goods.
   (b) An increase in the price of granola by 10 pesos will cause a decrease in the quantity demanded of yogurt by 5 units.
   (c) Granola is a complementary good to yogurt, and yogurt is an inferior good.
   (d) An increase in the price of yogurt by 20% will cause a 10% decrease in the quantity demanded of granola.
   (e) A decrease in the price of granola by 10% will cause a 5% increase in the quantity demanded of yogurt.

4. Given the following map of indifference curves, where the arrow indicates the direction of increasing utility:

   (a) For this consumer, ice creams and anchovies are goods.



(b) Ice creams and anchovies are normal goods.

(c) Ice creams and anchovies are inferior goods.

(d) Ice creams are a good and anchovies are a bad.

(e) Both are bads.

(f) None of the above is correct.

5. To get to college, Pedro takes a train and a bus. A month ago, each train ride cost \$2, while each bus ride cost \$3. His brother used to load \$30 on his transit card each month, which was exactly enough for his monthly travels. The train ticket price increased to \$5 and the bus ticket to \$7.5. If his brother increases the amount he loads onto the card by 150%,

   (a) Pedro cannot go to all his classes because he has to reduce the number of train and bus trips per month due to the price increase.

   (b) If he makes the same number of trips as last month, he will end up with a positive balance on the card at the end of the month.

   (c) Pedro can make the same number of trips as the previous month because his brother compensates him for the increase in ticket prices.

   (d) To make the same number of trips, he asks his brother if he can increase the amount he loads on the card by 250%.

   (e) None of the above.

6. Juana consumes only two goods, referred to as x and y. Her preferences are such that the marginal rate of substitution of x for y is given by the following expression:

$$MRS = \frac{1}{x}$$

   Juana's income is \$100. Good x costs \$5 and good y costs \$10.

   (a) The optimal basket for Juana consists of 2 units of good x and 9 units of good y.

   (b) Juana spends all her income on good x because she does not like good y.

   (c) The optimal choice for Juana is to spend half of her income on each good, that is, buy 10 units of good x and 5 units of good y.

(d) The optimal basket for Juana consists of half a unit of good x and 9.75 units of good y.

(e) There is not enough information to determine Juana's optimal basket.

7. Juan consumes goods x and y. The income elasticity of demand for good x is negative, and the cross-price elasticity of good x with respect to the price of good y is positive. If Juan receives a salary increase and at the same time the price of good y increases, what can we assert about the demand for good x?

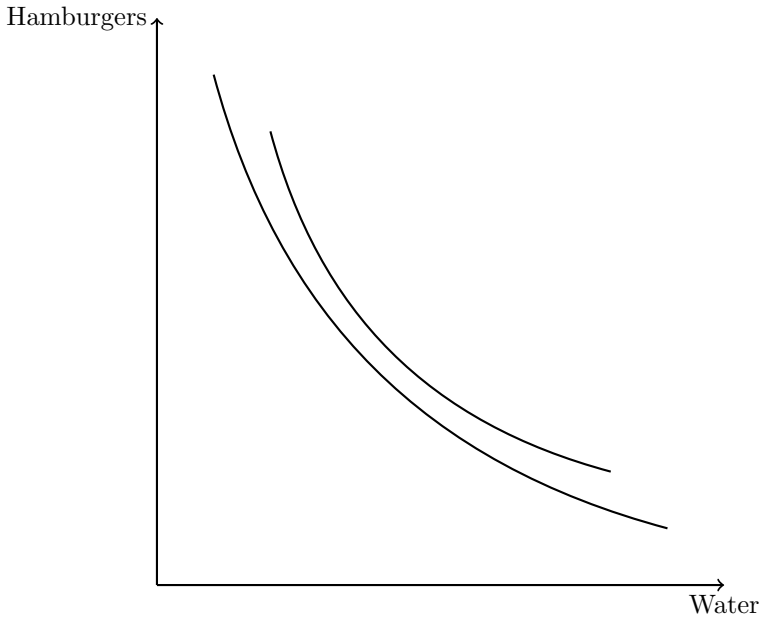
   (a) The demand for good x shifts downward and to the left.

   (b) The demand for good x shifts upward and to the right.

   (c) The demand does not change.

   (d) None of the above.

8. Pedro has convex preferences for two goods: hamburgers and water. Consuming more of both goods always generates more utility, and his indifference curves are shaped as follows: Given that he is



spending all his money, and for this basket, the Marginal Rate of Substitution (MRS) is 5 and the price ratio $\left(\frac{p_1}{p_2}\right) = 2$,

   (a) Pedro should consume more water.

   (b) Pedro should consume more hamburgers.

   (c) Pedro cannot improve by consuming more water or more hamburgers.

   (d) None of the above is correct.

Solutions

1. b)
2. c)
3. e)
4. f)
5. c)
6. a)
7. d)
8. a)