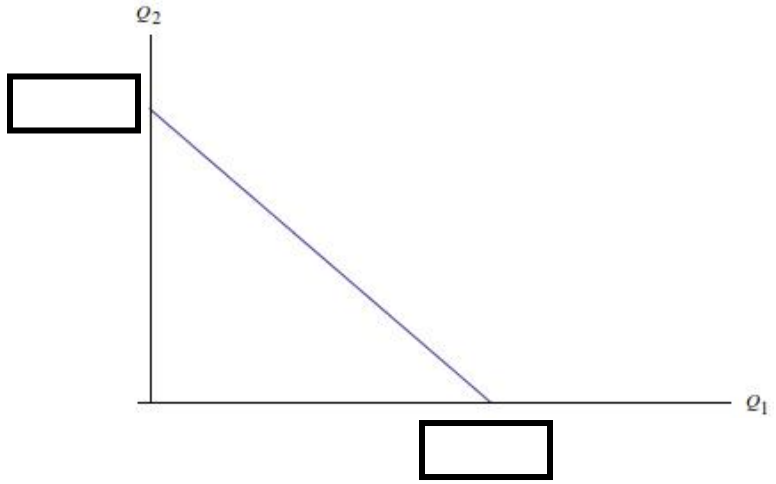
AGEC 3303
Quiz Review Questions

1. Consider a model where the consumer derives utility directly from goods 1 and 2. These are labeled as Q_1 and Q_2, respectively, on the diagram below. The consumer has a budget of $80. The price of good 1 is $6 and the price of good 2 is $8. Label the vertical and horizontal intercepts of the budget frontier shown at left (knowing that the vertical intercept is M/P2 and the horizontal intercept is M/P1).



2. If a consumer has strictly monotonic preferences:
    a. Preferences are probably not convex
    b. Indifference curves will have a positive slope
    c. The consumer likes a mixed basket of goods
    d. More is preferred to less

3. Which is true of indifference curves?
    a. They intersect one another since preferences are usually intransitive
    b. If preferences are monotonic they will slope upwards
    c. If two bundles are on the same curve, the consumer likes each equally
    d. a and b only

4. If preferences are strictly monotonic:
    a. The consumer is inflexible in his or her choice
    b. Indifference curves will be downward sloping
    c. Indifference curves will be upward sloping
    d. The marginal rate of substitution will be positive

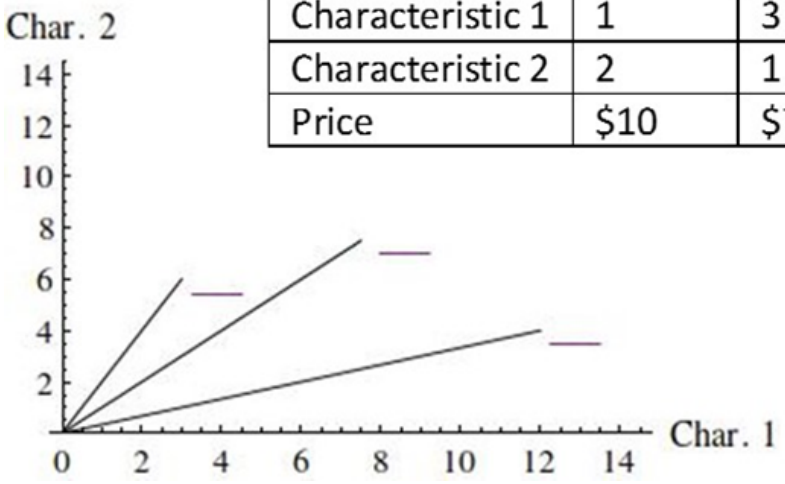
5. Intuitively, convexity implies that:
    a. The consumer is never satiated
    b. The consumer likes variety
    c. The consumer is able to rank bundles
    d. The consumer has upward sloping indifference curves

6. A given indifference curve:
    a. Is another name for an individual demand curve
    b. Depends on prices and income levels
    c. Represents all points that are strictly preferred
    d. Represents all points that the consumer likes the same

7. Hedonic pricing models:
    a. Express price as a function of product characteristics
    b. Reflect the basic idea behind the Lancaster model
    c. Could be used to value characteristics not traded on the market
    d. All of the above

8. Consider a model where the consumer derives utility from two characteristics, differing amounts of which are contained in good 1, good 2, and good 3. The consumer has a budget of $30. Characteristics and prices for each good are provided in the table below. One the diagram below, label each of the product vectors. Draw and label the efficient consumption frontier.

	Good 1	Good 2	Good 3
Characteristic 1	1	3	2
Characteristic 2	2	1	2
Price	$10	$7.5	$8



9. Using the following data calculate a moving average (n=3)

t	Price	Moving Average
1	5.32	
2	4.83	
3	8.16	
4	5.90	
5	6.41	
6	7.41	
7	8.26	