

Questions *Microeconomics* (with answers)

3 Consumer choice

01 a Budget line

A consumer spends his income of 300 on good A or on good B or on any combination of A and B. One unit of A costs 3 and one unit of B 5. Draw a budget line.

01 b Budget line (01 a continued)

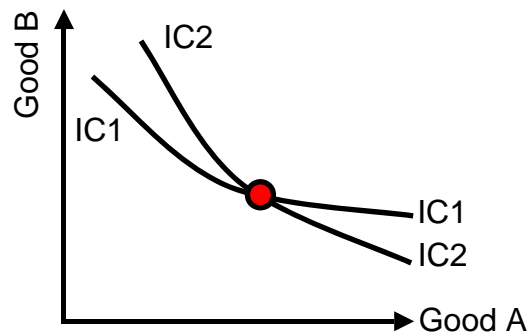
In the case of 01 a, income rises from 300 to 360, other things remaining equal. Draw an additional new budget line to illustrate the change.

01 c Budget line (01 a continued)

In the case of 01 a, the price of 1 unit of B falls from 5 to 4, other things remaining equal. Draw an additional new budget line to illustrate the change.

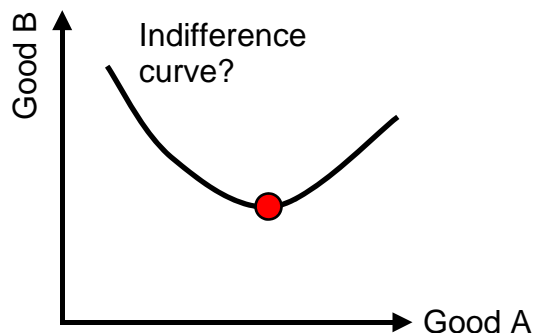
02 Indifference curve1

Explain why indifference curves (IC) cannot cross as follows:



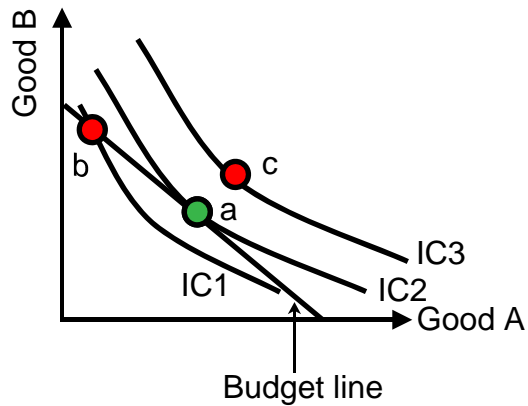
03 Indifference curve 2

Can an indifference curve look like that?



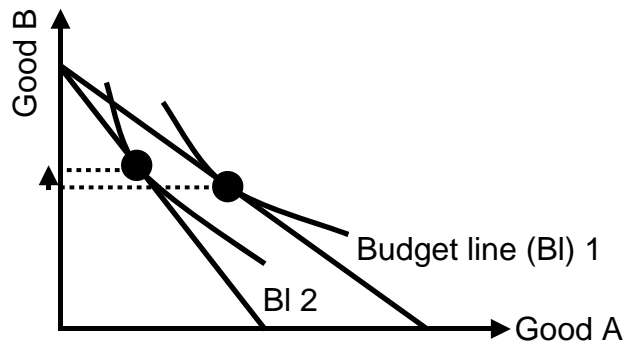
04 Consumer choice

Explain why the consumer chooses neither b nor c, but a.



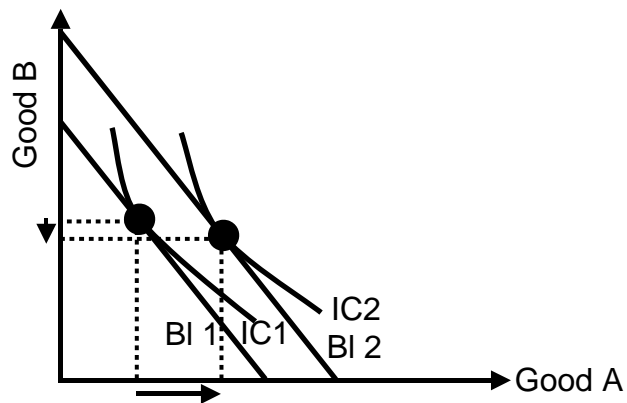
05 Complements and substitutes

The price of good A rises. Are A and B complements or substitutes?



06 Normal and inferior goods

The income of a consumer rises. Are A and B normal or inferior goods?



→ [Answers. Click here!](#)