

True/False - one point each

- F** 1. You should do anything that provides more marginal utility than marginal cost.
- F** 2. Anytime marginal utility is declining then total utility is also declining.
- F** 3. Opportunity cost is the same as explicit cost.
- F** 4. Our goal is to maximize marginal utility.
- F** 5. Opportunity cost is what we pay to do something like tuition to attend Mizzou.
- T** 6. Following the decision rule will lead to utility maximization.
- T** 7. Ceteris paribus implies variables other than those being examined are not changing.
- T** 8. A gasoline price increase does not cause purchases to decline very much suggesting the marginal utility of gas consumption is high relative to the cost.
- T** 9. Incentives imply higher utility or decreased cost.
- T** 10. Economics is about decision making and the results of decisions.

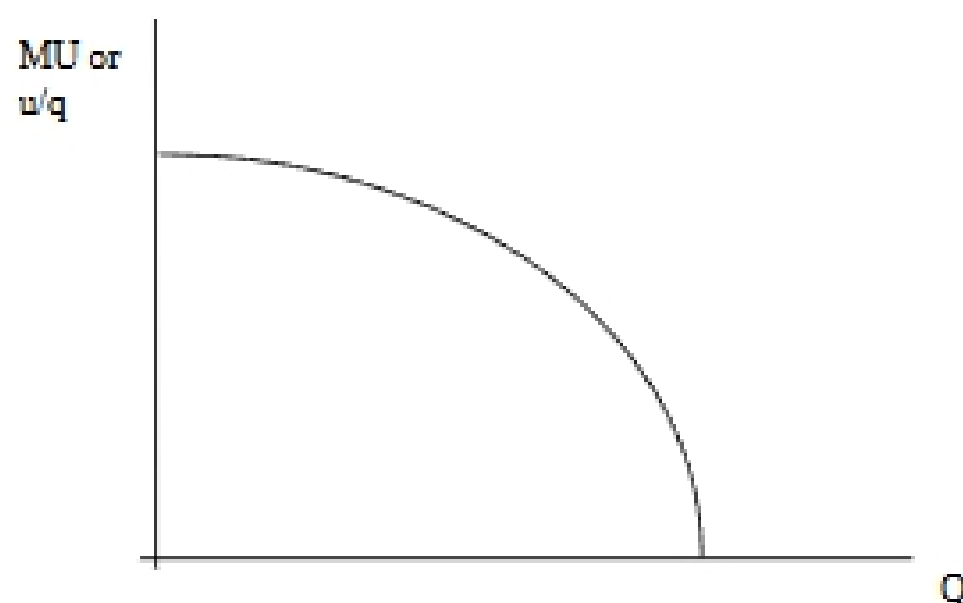
Short answers – five points each

11. What is the most inclusive term for the things we use to produce other goods and services?

Resources (5 pts) Inputs or factors (3 pts)

12. Name the two most general forms of costs? **Explicit Implicit**
Which is most often in the form of money? **Explicit**

13. Draw a typical marginal utility curve for eating a food someone enjoys. Be sure to completely label the graph.



14. Use the decision rule to show why Kathy consumes more water than soda and more soda than juice even though they cost about the same.

$$\frac{MU_w}{MC} > \frac{MU_s}{MC} > \frac{MU_j}{MC}$$