

***EconS 101 – Fundamentals of Microeconomics:  
Things you have to know for Exam 2***

- Exam 2 will be on **October 22nd, 2020 from 1pm to 5pm PST** and you must access the exam via Blackboard –

**Things to Know for Exam 2**

1. A lot of things from Modules 17 and 19 are on the exam. Know how to derive, use, and interpret marginal utility!
2. Utility is determined by how much satisfaction the consumption of that good brings to that consumer.
3. If  $\frac{MU_x}{p_x} > \frac{MU_y}{p_y}$ , then the consumer will spend more of their next dollar on purchasing good x. For example, if  $\frac{MU_x}{p_x} = 20$  and  $\frac{MU_y}{p_y} = 10$ , the consumer will spend .67 \$ of their next dollar on good x, and .33 \$ of that same dollar on good y.
4. Need to know what it means when  $MU_x < 0$ . This means they have a decrease in utility for the next good they would consumer. Do you really want to eat 1000 chocolate bars?
5. What does the substitution effect say? It says, if the price of a good falls, then by the law of demand, the consumer will allocate more of their budget towards consuming that cheaper good.
6. Budget lines. How do you get the slope? What is the slope, and what does it mean?
7. Price elasticity of demand and how does a price increase/decrease change total revenues if the elasticity of demand is inelastic or elastic?
8. How do we measure decisions? Do we measure it just off of the first good consumed? No! We measure them in two ways.
  - (a) We measure decisions of yes or no (i.e. some binary decision).
  - (b) We measure decisions by determining how much.
9. Need to know how to calculate dead weight loss (DWL) using linear supply and demand curves.
10. Need to know how to derive opportunity costs PPFs, how to standardize them (i.e. so that you are comparing opportunity costs against the same quantities gained), and then using that for any quantity.
11. How to calculate total revenue.