If both Jalebis and Samosas are bad, the indifference curve 1/1

- ○ Will have positive slope
- ◉ Will have negative slope
- ○ Will have zero slope
- ○ Will have infinite slope

If the model of apartment market with rent control that we studied in the first chapter is allowed for unrestricted subletting: 1/1

- ◉ Outcome will be pareto optimal
- ○ Buyers with a reservation price lower than competitive market equilibrium price will also get the apartment
- ○ Both
- ○ None

1/1

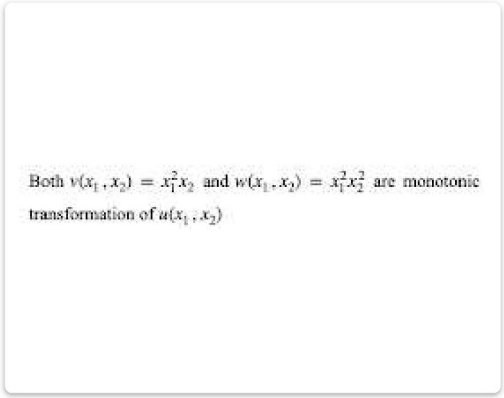
Consider a budget line $p_1x_1 + p_2x_2 = m$, Government decides to impose a lump-sum tax of u, a quantity tax on good 1 of t, and a quantity subsidy on good 2 of s. In the equation of the new budget line:

- ○ The Y intercept will be (m-u)/(p1+t)
- ○ The X intercept will be (m-u)/(p2-s)
- ○ Both
- ◉ None

1/1

Choose the correct alternative regarding utility function $u(x_1, x_2) = \sqrt{x_1x_2}$

- ◉ It represents Cobb-Douglas utility function
- ○ Both
- ○ Option 2



- ○ None

Choose the correct alternative 1/1

- ○ Magnitude of marginal utility is same for a utility function and its monotonic transformation
- ◉ Any monotonic transformation of a utility function leaves you with another equally valid utility function
- ○ MRS also changes if you take monotonic transformation of a utility function
- ○ All are correct

Regarding preferences 1/1

- ○ Concave preferences means averages are preferred over extremes
- ◉ Convex preferences means averages are preferred over extremes
- ○ Both
- ○ None

Choose correct alternative 1/1

- ○ Indifference curves for substitutes are L shaped
- ○ Indifference curve for complements are linear
- ◉ Each indifference curve for quasi-linear preferences is a vertical shifted version of a single indifference curve
- ○ All are correct

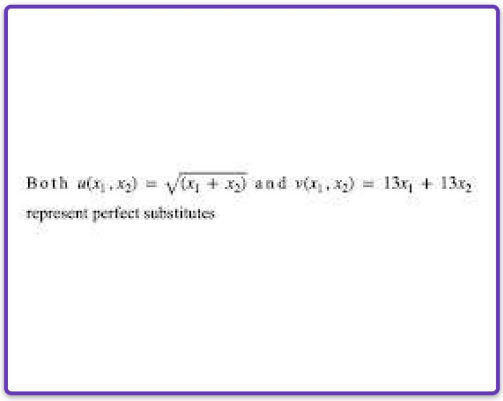
If the price of good 1 doubles and the price of good 2 triples, the budget line becomes (take good 1 on X axis) 1/1

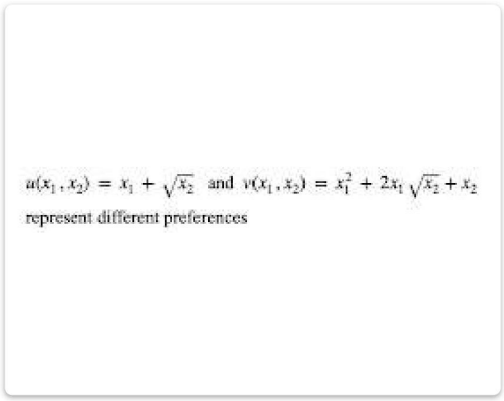
- ○ Steeper
- ◉ Flatter
- ○ Slope remains same
- ○ None of the above

If good 1 is a neutral, what is its Marginal Rate of Substitution (MRS) for good 2 1/1

- ○ 1
- ◉ Zero
- ○ 2
- ○ 1/2

Choose correct alternatives 1/1





- (●) Option 1
- ( ) Option 2
- ( ) Both
- ( ) None