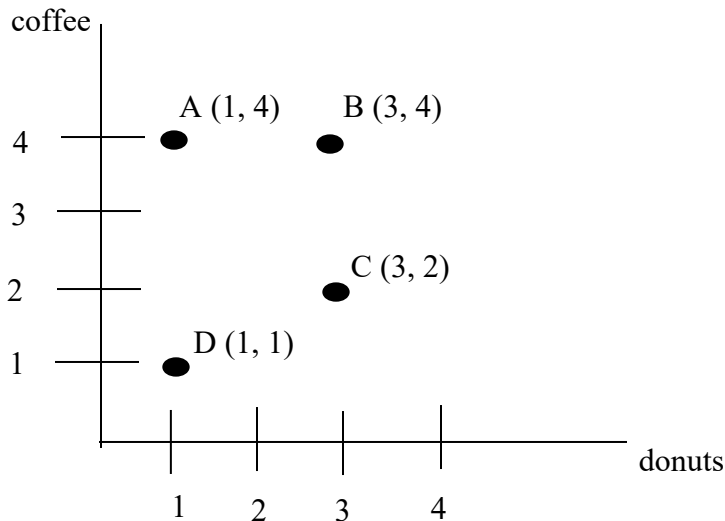


Quiz #3 (15 points total) **answer key**
ECNS 204
Snowmester 2020

1.) (5 points) Emma enjoys consuming coffee and donuts. Suppose she has the option of consuming the indicated bundles in the graph below:



Based on the information above, for which two bundles is it not possible to determine which Emma would prefer?

- a.) A vs. D
- b.) B vs. D
- c.) A vs. C
- d.) B vs. C

Answer is c.)

2.) (5 points) Which of the following correctly summarizes the properties of indifference curves?

- a.) They must slope downward, can never cross, and are concave to the origin.
- b.) They can either slope upward or downward, can never cross, and are convex to the origin.
- c.) They must slope downward, can cross under certain circumstances, and are concave to the origin.
- d.) They must slope downward, can never cross, and are convex to the origin.

Answer is d.)

3.) (5 points) Suppose Emma spends all of her money on cups of coffee (c) and donuts (d), earns an income equal to \$100, and the price of coffee and donuts are given by $P_c = \$2/\text{cup}$ and $P_d = \$1/\text{donut}$, respectively. Write an equation for Emma's budget constraint.

$$2c + d = 100$$