Econ 301 Intermediate Microeconomics
Chapter 5 Quiz

1. When the price of a good changes, the change in a consumer's optimal bundle due to the change in price ratios is called the  
   ________, while the change in the optimal bundle due to the change in the consumer's purchasing power is called the  
   ________.  
   A. income effect; substitution effect  
   B. substitution effect; income effect  
   C. substitution effect; purchasing effect  
   D. ratio effect; substitution effect  

2. The substitution effect on the optimal quantity of a good from an increase in the price of that good is...  
   A. positive  
   B. negative  
   C. indeterminate  
   D. tasty  

3. For a normal good, the income effect on a good from an increase in the price of that good is ________, while for an inferior  
   good the income effect is ________.  
   A. positive; positive  
   B. positive; negative  
   C. negative; positive  
   D. negative; negative  

4. A Giffen good is a rare type of inferior good where...  
   A. the income effect outweighs the substitution effect so that an increase in price increases consumption of the good.  
   B. the substitution effect outweighs the income effect so that an increase in price decreases consumption of the good.  
   C. the substitution effect is negative so that an increase in price increases consumption of the good.  

5. Suppose your demand curve beer is \( Q^D = 15 - 5P \) while your friend's demand curve is \( 12 - 3P \) where quantity is number of beers  
   and price is in dollars per beer. At a price of $2, what is the total demand for beer? What about at a price of $3.50?  
   A. 11; -1  
   B. 11; 1.5  
   C. 6; 1.5  
   D. 6; -1