

Test Two Study Guide

Chapters 8 - 10

Know the answers to the following questions.

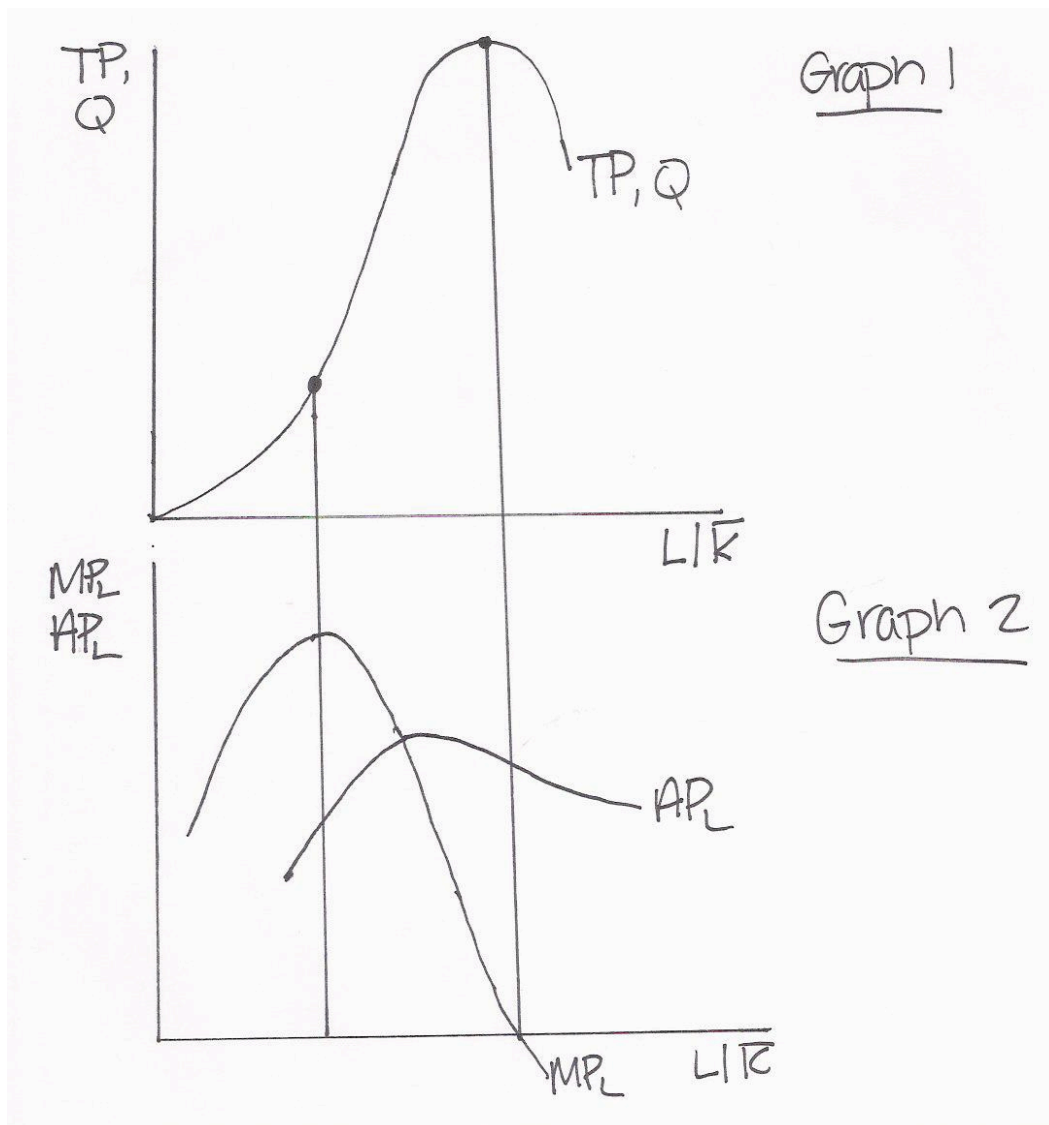
- 1. How do you determine how much is consumed when only X is bought and not Y?**
- 2. What is the optimal bundle when the consumer is constrained by his/her budget line?**
- 3. What does a budget line tell us? What are the points inside the budget line? The outside?**
- 4. What factors cause the budget line to change? What is the effect on the budget line?**
- 5. What are the characteristics of ordinary indifference curves?**
- 6. What are the shape of indifference curves for substitutes and complements?**
- 7. What are the various forms of the equation of a budget line?**
- 8. How do you determine the substitution and income effect if a graph is given?**
- 9. How do you know if a normal good, an inferior good, or Giffen good are being considered with indifference curves?**

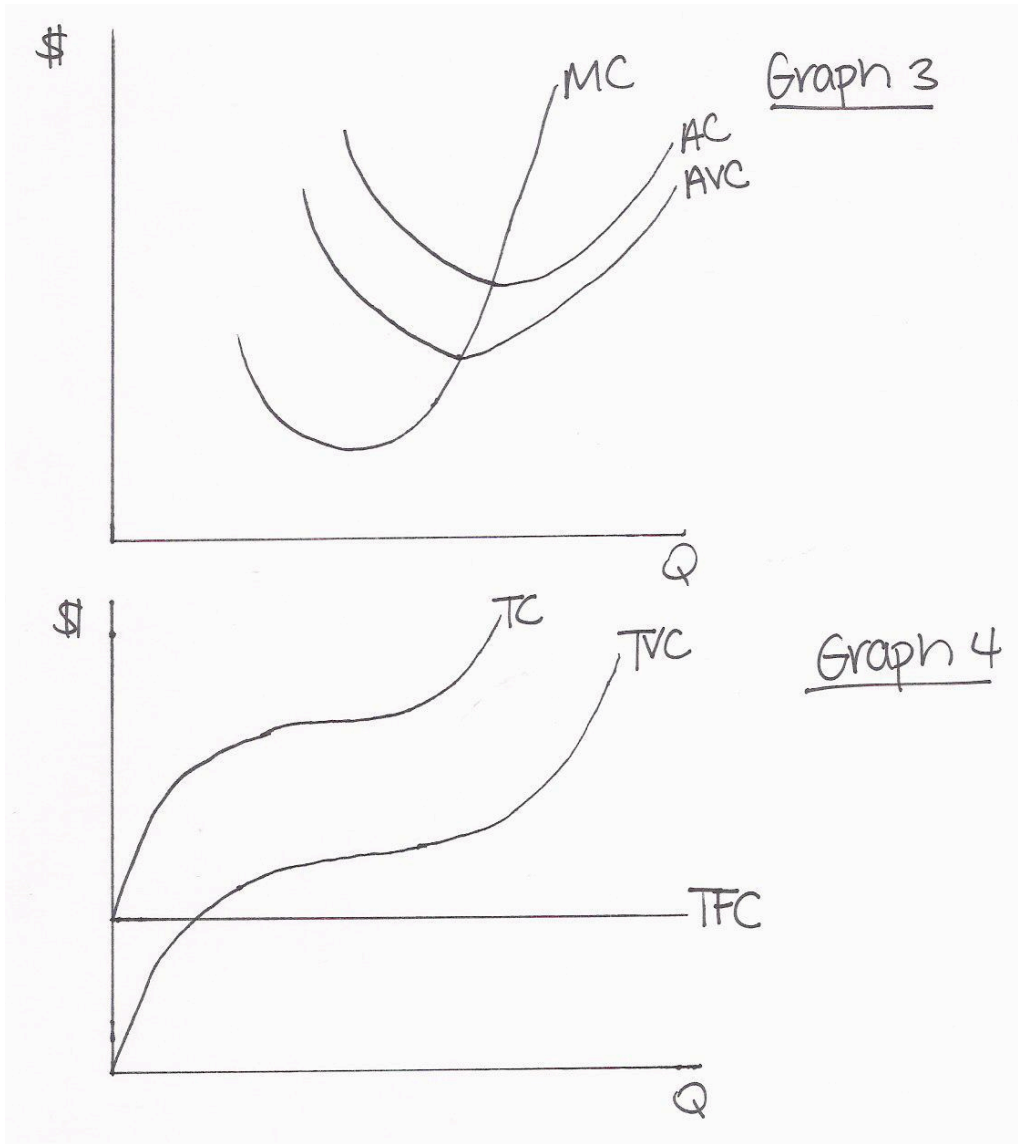
17. What are economies and diseconomies of scale?

18. What are increasing and decreasing returns to scale?

19. What is the capacity output? What is the relationship between capacity output and economies of scale and diseconomies of scale?

20. Explain this relationship (this is the most important relationship in Microeconomics).





Write/Answer questions that you think will be on the test.