Assignment- 07

The due date for submitting this assignment has passed.
As per our records you have not submitted this assignment.

1) If the income effect is in the same direction as the substitution effect then the good is

- Normal
- Inferior but not Giffen
- Giffen
- There is not enough information to answer

No, the answer is incorrect.
Score: 0
Accepted Answers: Normal

2) If the income effect is in the opposite direction as the substitution effect but the substitution effect dominates then the good is

- Normal
- Inferior but not Giffen
- Giffen
- There is not enough information to answer

No, the answer is incorrect.
Score: 0
Accepted Answers: Inferior but not Giffen

3) A good is called giffen good when

- It must be an inferior good
- It must account for a large fraction of consumer's budget
- None of the above

No, the answer is incorrect.
Score: 0
Accepted Answers: Both are true

Due on 2019-03-20, 23:59 IST.

4) An income expansion path is
- Always drawn on an indifference map
- A curve that traces all the points corresponding to optimal bundles as income varies and prices and tastes may also change
- Both are true
- None is true

No, the answer is incorrect.
Score: 0
Accepted Answers:
Always drawn on an indifference map

5) Select the correct alternative regarding Income Expansion Path
- A positively sloped Income Expansion Path indicates that both goods are normal goods
- A negatively sloped Income Expansion Path indicates that one of the goods is inferior good
- Both
- None

No, the answer is incorrect.
Score: 0
Accepted Answers:
Both

6) Select the correct alternative regarding Engel curve
- It shows how a consumption bundle changes with changing income while Income Expansion Path captures change in a single good with changing income
- For quasi linear preferences the Engel curve for both the goods are linear
- Both
- None

No, the answer is incorrect.
Score: 0
Accepted Answers:
None

7) Select the correct alternative
- Marshallian demand function is also called compensated demand function
- Marshallian demand function is obtained through utility maximization and Hicksian demand function is obtained through expenditure minimization
- Both
- None

No, the answer is incorrect.
Score: 0
Accepted Answers:
Marshallian demand function is obtained through utility maximization and Hicksian demand function is obtained through expenditure minimization

8) Select the correct alternative regarding Subsidy and Direct Benefit Transfer (DBT)
- Direct Benefit Transfer for a consumer is as least as good as the subsidy which
Direct Benefit Transfer for a consumer is certainly worse than the subsidy which cost the same as the direct benefit transfer.

A consumer is indifferent between a subsidy and a direct benefit transfer which cost the same.

None

No, the answer is incorrect.
Score: 0

Accepted Answers:
Direct Benefit Transfer for a consumer is as least as good as the subsidy which cost the same as the direct benefit transfer.

9) Suppose a factory produces electricity (E) with coal (C) or gas (G) to operate steam turbines (T). Suppose gas is more efficiently burned than coal but that they are otherwise perfect substitutes. The isoquants are

- upward sloping
- L-shaped
- downward sloping curves
- downward sloping lines

No, the answer is incorrect.
Score: 0

Accepted Answers:
downward sloping lines

Comprehension
Assume a person has a utility function represented by the Cobb Douglas utility function \( U(D, F) = D^a F^b \). He has income (\( I \)) of INR 10,000, facing an initial price of \( D \) of INR 10 and price of \( F \) of INR 15. If the price of \( D \) increases to INR 15, answer the following six questions:

10) Initial utility maximizing quantity of \( D \)

- 200
- 500
- 1000/3
- 2000/3

No, the answer is incorrect.
Score: 0

Accepted Answers:
500

11) Initial utility maximizing quantity of \( F \)

- 200
- 500
- 1000/3
- 2000/3

No, the answer is incorrect.
Score: 0

Accepted Answers:
12. What is his initial utility at the optimal consumption bundle

- 10000
- 50000/3
- 100000/3
- 400000/3

No, the answer is incorrect.
Score: 0
Accepted Answers: 500000/3

13. After the increase in the price of D, new utility maximizing quantity of D

- 200
- 500
- 2000/3
- 1000/3

No, the answer is incorrect.
Score: 0
Accepted Answers: 1000/3

14. After the increase in the price of D, new utility maximizing quantity of F

- 200
- 500
- 1000/3
- 2000/3

No, the answer is incorrect.
Score: 0
Accepted Answers: 1000/3

15. After the increase in the price of D, what is his new utility at the optimal consumption bundle

- 10000
- 500000/3
- 200000/3
- 1000000/9

No, the answer is incorrect.
Score: 0
Accepted Answers: 1000000/9