
Extra Seminar Questions

1. A computer expert is offered a choice between 10 floppy disks and 5 software manuals, or 9 floppy disks and 20 software manuals. All you know about the person's preferences for disks and manuals is that they satisfy the three axioms. On the basis of this information alone, can you predict which bundle the person will choose?
2. Explain why indifference curves cannot intersect.
3. What would the indifference curves look like for the following types of goods:
 - a) Perfect substitutes?
 - b) Perfect complements?
 - c) Good X much more preferred to good Y by an individual?
 - d) Good Good and Bad Good
 - e) X is expired good and consumer prefers Y
4. Given the following information about an individual's consumption possibilities between two goods, X and Y.

$$I = \text{£}100; P_X = \text{£}10; P_Y = \text{£}5$$

- a) Calculate and draw the individual's budget line
- b) Show what happens to the budget line when:
 - i) Income decreases by 20%
 - ii) P_Y rises by 40%
 - iii) Both prices fall by 10%

Start from the original budget line in each case

5. Explain why the consumer would not be in equilibrium at point B in the following diagram. What should the consumer do?

