

Fifteen keys to success
First midterm exam

Ch. 2 Demand and Supply analysis

1. Given supply and demand, what is equilibrium?
2. How shifts in demand and supply affect equilibrium price, what does the effect depend on
3. Understand price and income elasticity: how to find, what does price elasticity depend on?
4. How can you identify demand and supply curves?

Ch. 3 Utility

5. What are the basic assumptions we make about preferences?
6. Find marginal utility, marginal rate of substitution
7. Principles of diminishing marginal utility, diminishing MRS
8. Draw indifference curves for different types of preferences

Ch. 4 Consumer choice

9. Write the budget line, graph it. How does it change with price and income?
10. Where is the optimal bundle in a graph using budget line and indifference curve?
11. What conditions hold at an interior solution? What do they mean?
12. Solve for optimal basket (Cobb-Douglas, quasilinear, perfect complements, perfect substitutes)

Ch. 5 Demand

13. Changes in price: price consumption curve, demand curve
14. Changes in income: income consumption curve, Engel curve, normal vs. inferior good
15. Demand curve is also a “willingness to pay curve”