

Marginal Utility Practice

Goods	Price	Quantity Purchased (units)	Marginal Utility (utils)
Soda	\$1	10	10
Apples	\$2	5	25

1. Jane spends all her weekly allowance to buy only two goods: soda and apples. According to the table above, if her preferences are characterized by the law of diminishing marginal utility, then which of the following statements is correct?
 - (A) Jane is maximizing her utility.
 - (B) Jane can buy more apples and less soda to maximize her utility.
 - (C) Jane can buy more soda and fewer apples to maximize her utility.
 - (D) Jane can buy more apples and the same amount of soda to maximize her utility.
 - (E) Jane can buy more soda and the same amount of apples to maximize her utility.

2. If a good is available free of charge, an individual will consume it until
 - (A) marginal utility is zero
 - (B) average utility is zero
 - (C) total utility is zero
 - (D) marginal utility equals average utility
 - (E) marginal utility equals total utility