Quiz #2.
ECON 310 – Ticket Number 16388.

Name: A. Key

Multiple Choice (3 points each):

1) Paula’s utility is given by \( U(X) = 2x_1 + 3x_2 \). It follows that
d. the bundle \( A = (1,6) \) is preferred to the bundle \( B = (5,2) \) (that is, \( A \succ B \)).

2) Michelle has income of \( I = 100 \), which she devotes to consumption of \( x_1 \) and \( x_2 \). Each unit of \( x_1 \) costs \( p_1 = 2 \); each unit of \( x_2 \) costs \( p_2 = 5 \). If her income were to increase to \( I = 125 \) (with prices fixed), then her budget line would
a. shift outward.

Additional Question:

1) Cristie likes to consume \( x_1 = \) (wine) and \( x_2 = \) (cheese). Each unit of wine costs \( p_1 \); each unit of cheese costs \( p_2 \). Her income is denoted by \( I \).
   a. State the equation for her budget line. (2 points)
   \[ p_1 x_1 + p_2 x_2 = I \]
   
   b. Graphically illustrate her budget line – clearly label each intercept and identify the slope of the line. (2 points)