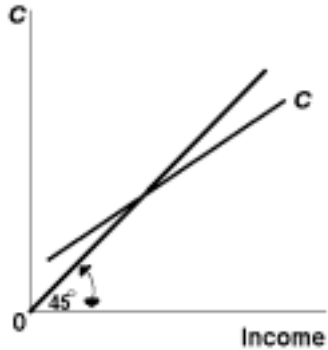


7.



The consumption schedule in the above diagram indicates that:

- A) consumers will maximize their satisfaction where the consumption schedule and 45° line intersect.
- B) up to a point consumption exceeds income, but then falls below income.
- C) the MPC falls as income increases.
- D) households consume as much as they earn.

8. Which of the following is *correct*?

- A) $APC + APS = 1$. B) $APC + MPS = 1$. C) $APS + MPC = 1$. D) $APS + MPS = 1$.

9. The average propensity to consume indicates the:

- A) amount by which income exceeds consumption.
- B) relationship between a change in saving and the consequent change in consumption.
- C) portion or fraction of total income which will be consumed.
- D) portion or fraction of a change in income which will be consumed.

10. If the MPC is .8 and the disposable income is \$200, then

- A) consumption and saving cannot be determined from the information given.
- B) saving will be \$20.
- C) personal consumption expenditures will be \$80.
- D) saving will be \$40.
- E) personal consumption expenditures will be \$160.

Answer Key -- Quiz201S

1. D
2. C
3. C
4. C
5. C
6. C
7. B
8. A
9. C
10. A