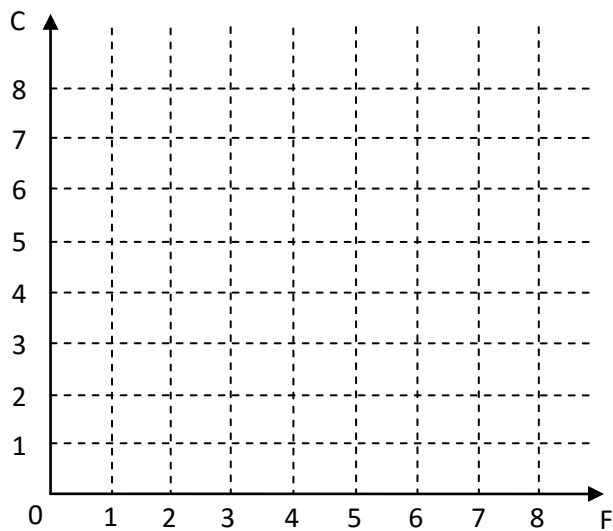


Quiz 2: Consumer Behavior

Answer all the questions in 10 minutes.

1. There are only two goods, C and F, available. A consumer has total income of 12 baht.
- a) (2 points) Initially, the price of C is $P_C = 2$ baht and the price of F is $P_F = 4$ baht. This consumer consumes at $C^* = 2$ units and $F^* = 2$ units. Draw the budget line and the related indifferent curve of the consumer in the provided diagram.
- b) (2 points) Later, the price of F reduces to $P_F = 2$ baht, while the price of C stays the same. This consumer changes his consumption bundle to $C^{**} = 5$ units and $F^{**} = 1$ unit. Draw the budget line and the related indifferent curve for this case in the provided diagram.



- c) (6 points) Decompose income effect and substitution effect of this consumer. Draw the related point(s), line(s), or curve(s) into the provided figure and explain your answer below.

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