ΣXEMPLAR POINT ΣP PVT. LTD.

XI ECO. TEST ON CONSUMER EQUILIBRIUM

M.M. : 32   **TIME: 1 HR.**

1.   **TRUE or FALSE with reasons**   **1 × 4 = 4 MARKS**

   a.   If $\dfrac{MU_X}{P_X} > \dfrac{MU_Y}{P_Y}$, then the consumer should buy more of commodity Y and less of commodity X to reach the equilibrium position.

   b.   Two indifference curves intersect each other when they represent same level of satisfaction.

   c.   Marginal rate of substitution indicates the slope of budget line.

   d.   The slope of indifference curve is different at different points of the curve.

2.   **MULTIPLE CHOICE QUESTIONS**   **1 × 7 = 7 MARKS**

   i.   Suppose prices of only two goods the consumer consumes are doubled, and at the same time income is also doubled, the consumer's utility level at equilibrium in the IC analysis :

   a. Falls   b. Increases   c. Remains unchanged   d. Uncertain

   ii.   In the study of consumer behaviour, we study decision making by a consumer with respect to :

   a. Spending of income   b. Adjusting purchases due to change in price

   c. Both (a) and (b)   d. Neither (a) nor (b)

   iii.   A rational consumer is called 'rational' because he/she aims at :

   a. Maximizing purchases   b. Minimizing expenditure   c. Maximizing utility   d. Minimizing wastage

   iv.   Marginal utility refers to utility :

   a. From the last unit consumed   b. From one more unit consumed

   c. From one less unit consumed   d. All the above

   v.   When a consumer increases consumption of a good from 2 units to 4 units, total utility rises from 9 utils to 14 utils. Marginal utility is :

   a. 5 utils   b. 2.5 utils   c. 3 utils   d. Can't calculate

   vi.   According to the Law of Diminishing Marginal utility, as the consumer reduces consumption of a goods, marginal utility of the remaining quantity of that good :

   a. Falls   b. Rises   c. Remains unchanged   d. Cannot calculate

   vii.   A consumer consumes only two goods X and Y. On planning to spend the whole of income on these two goods he find MU_x = 6 utils and MU_y = 4 utils. P_x and P_y are Rs. 4 and Rs. 6 per unit respectively. In this situation the consumer will :

   a. Stick to his plan   b. Buy less of X   c. Buy more of Y   d. Buy more of X & less of Y

3.   "Law of diminishing ma rginal utility will operate even if consumption takes place in intervals." Defend or refute.

OR

"TU remains the same, whether MU is positive or negative". Defend or refute.   **3 MARKS**

4.   Explain properties of indifference curve.   **4 MARKS**

5.   Define :   **4 MARKS**
   a. Point of satiety   b. Utility   c. Indifference curve.   d. Monotonic preferences?

6.   A consumer consumes only two goods X and Y whose prices are Rs. 4 and Rs. 5 per unit respectively. If the consumer chooses a combination of the two goods with marginal utility of X equal to 5 and that of Y equal to 4, is the consumer in equilibrium? Give reasons. What will a rational consumer do in this situation? Explain.   **4 MARKS**

7.   Define Budget line and Consumer Equilibrium. Using the concept of budget line and Indifference curve explain consumer equilibrium with help of diagram.   **6 MARKS**