THEORY OF CONSUMER BEHAVIOUR

TEST PAPER SET-1 FM: 24

1. Define marginal utility. When can it be negative? [3]
2. Explain with the help of a diagram the consumer's equilibrium through utility approach.[5]
3. Discuss any two properties of Indifference curve. [2]
4. Study the diagram given below and identify how much of a commodity A and commodity B will a utility maximizing consumer buy: [2]

Units of A	M.U of A	units of B	M.U of B
1	10	1	30
2	8	2	24
3	6	3	20
4	4	4	16
5	2	5	14
6	1	6	9

Note: price A=rupees 2, price B=rupees 4, income=rupees 20
Explain the law of Equi marginal utility, using the above schedule.

5. A marginal utility schedule of a person is given below. Discuss the law underlying the given schedule : [2]

Pen (units)	MU(utils)
1	25
2	20
3	15
4	10
5	5

6. State the law of equi-marginal utility. [2]
7. The following table shows the marginal utility derived from the purchase of books. The price of the book is ruoees500. Draw a diagram to explain consumer's equilibrium where MU=P. [2]

Number of books	MU
1	700
2	600
3	500
4	400

5	300

8. Explain with the help of a diagram the relationship between total utility and marginal utility. [2]
9. What is meant by budget line? [2]
10. Discuss two differences between cardinal utility and ordinal utility. [2]