



INDIAN SCHOOL MUSCAT
DEPARTMENT OF COMMERCE AND HUMANITIES
SENIOR SECTION
CLASS – XI



INTRODUCTORY MICROECONOMICS (030)
WORKSHEET No: - 02
Unit – 02: Consumer behavior and Demand
Utility Analysis

Date:-----

I. Answer in one sentence each (1 mark each)

- (a) When marginal utility is zero, Total utility will be
- (b) When $\frac{MU_x}{P_x} > \frac{MU_y}{P_y}$ What will the Consumer do?
- (c) If a commodity is available at free of cost, how many unit will a consumer consume in order to be at equilibrium?
- (d) State the law of diminishing marginal utility.
- (e) Define utility.

II. Answer in around sixty words. (3 marks each)

- (a) Why should a consumer buy more units of a good when its price falls? Explain in terms of utility analysis.
- (b) What are the assumptions of utility analysis of consumer behavior?
- (c) Distinguish between cardinal measurement and ordinal measurement
- (d) What are the limitations of utility analysis
- (e) Lakshmi purchases 5 units of ice cream when its price was ₹10 per unit and is at equilibrium. Should she consume more or less to be at equilibrium when its price decreases to ₹5 per unit? State reason.

III. Answer in around 70 words. (4 marks each)

- (a) How many units of a commodity should a consumer consume in order to maximize her satisfaction? Explain in terms of utility analysis.
- (b) A consumer consumes two goods, good X and good Y. Prices of the two goods are P_x and P_y respectively. Explain how consumer reaches equilibrium in the consumption of two goods.

If Marginal Utility of good X and good Y are 4 and 3 respectively and P_x and P_y are ₹ 3 each. Is the consumer at equilibrium? If yes why? If not, what should the consumer do to be at equilibrium?

- (c) Consider the following utility schedule. How many units of a commodity should a consumer consume to be in equilibrium if market price of the good is ₹ 3 per unit. Explain with reason.

- If the price falls to ₹2. what adjustment will she make to be at equilibrium?
- (d) From the given utility schedule, find out the marginal utility at each level of unit consumed. When will a consumer reach a state of equilibrium? Explain with reference to the law of diminishing marginal utility.

Units consumed:	1	2	3	4	5	6	7	8
Total Utility:	10	18	24	28	31	33	33	29





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INTRODUCTORY MICROECONOMICS (030)
WORKSHEET No: - 03
Unit – 02: Consumer behavior and Demand
Indifference Analysis

Date:-----

I. Answer in one sentence or in one word (1 mark each)

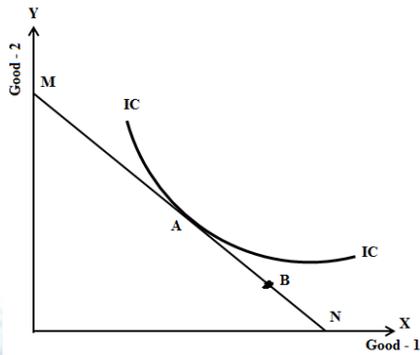
1. An indifference curve shows:
 - (a) The amount of money that consumer has to spend on two goods.
 - (b) The different levels of utilities that consumer can get from the consumption of different units of two goods.
 - (c) The maximum quantity of two goods that the economy can produce with given level of technology and a given resources.
 - (d) Different combination of two goods that consumer can purchase that gives same level of utility.
2. Define a consumption bundle.
3. Slope of indifference curve indicates:
 - (a) Marginal Rate of transformation
 - (b) Marginal Utility
 - (c) Marginal Rate of substitution
 - (d) Opportunity Cost
4. What does a consumption bundle on the budget line indicate?
5. What happens to the slope of the budget line if price of good₂ increases?

II. Answer in around 60 words. (3 marks each)

1. Define an indifference curve. Explain with a diagram.
2. What are the properties of an indifference curve? State the reason behind each property.
3. What is an indifference map? What does it signify?
4. A consumer has ₹ 20 to spend on two goods, good₁ and good₂. Price of both the goods is ₹ 4 per unit. Derive all the consumption bundles if the goods are available only in integer units. Among the consumption bundles identify the consumption bundles that lie on the budget line.

III. Answer in around 75 words.(4 marks each)

1. Derive to prove the slope of the budget line is price ratio of the two goods.
2. Explain the logic behind the theory of optimum choice of the consumer.
3. Consider the following diagram.



MN is the budget line and IC is the indifference curve of the consumer. If the consumer is at the point B on the indifference curve, what adjustment will take place so that consumer gets maximum satisfaction? Explain in terms of price ratio of the two goods and marginal rate of substitution.

IV. Answer in around 100 words.

- a. Explain the theory of optimum choice of the consumer with suitable diagram.
- b. Define a budget line. What are the causes of shift in budget line? Explain with diagrams.



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INTRODUCTORY MICROECONOMICS (030)
WORKSHEET No: - 04
Unit – 02: Consumer behavior and Demand
Demand Analysis

Date:-----

I. Answer in one sentence each (1 mark each)

- a. Define demand
- b. State law of demand.
- c. Demand for good X decreases as price of good Y increases then the two goods are:
 - (a) Absolute necessities
 - (b) Complementary good
 - (c) Inferior goods
 - (d) Substitute goods
- d. If a good is absolute necessity, then its price elasticity of demand is:
 - (a) Zero
 - (b) Unitary
 - (c) Infinity
 - (d) Inelastic
- e. Draw a relatively inelastic demand.

II. Answer in around 60 words. (3 marks each)

- (a) State law of demand. Explain with a schedule and diagram.
- (b) Consider two commodities Tea and Coffee. What could be the effect on demand for Tea if price of coffee falls. Explain with reason and suitable diagram.
- (c) Government declares a compulsory festival bonus of ₹10000/- to all workers working in the country. Explain the likely impact on the demand for refrigerators in the country?
- (d) Distinguish between normal good and inferior good. Use examples.
- (e) What are the causes of shift in demand to right?
- (f) Distinguish between complementary good and substitute good with examples.
- (g) Law of demand holds good only under certain assumptions. What are these?
- (h) State meaning of:
 - i. Direct demand
 - ii. Derived demand
 - iii. Joint demand
- (i) Distinguish between expansion of demand and increase in demand. Use diagram

III. Answer in around 75 words. (4 marks each)

- a. What does change in demand mean? Explain using diagram.
- b. What does change in quantity demanded mean? Explain using diagram.
- c. Define market demand curve. Explain with the help of a diagram.
- d. Why does demand curve slope down ward? Explain the reasons behind this.
- e. Distinguish between movement along the same demand curve and shift in demand.

