Name: _____

Period: _____

More Marginal Utility Analysis

Mr. Hess has $20 to spend on hot fudge sundaes and deluxe candy bars. A hot fudge sundae costs $4, while a deluxe candy bar costs $2. Complete the following chart:

	Sundaes			Candy Bars		
	Total Utility	Marginal Utility	MU per dollar spent	Total Utility	Marginal Utility	MU per dollar spent
1st	15			11.5		
2nd	25			21.4		
3rd	31			29.8		
4th	34			36.8		
5th	36			42.5		
6th	36			47		
7th	34			50.5		

1. Prioritize Mr. Hess's purchases according to marginal utility per dollar spent.

2. What combination of sundaes and candy bars should Mr. Hess purchase in order to maximize his utility? Explain.

3. The price of sundaes decreases to $2. Complete the chart below for sundaes:

	Total Utility	Marginal Utility	MU per dollar spent
1st	15		
2nd	25		
3rd	31		
4th	34		
5th	36		
6th	36		
7th	34		

4. Using the new price of sundaes, prioritize Mr. Hess's purchases according to marginal utility per dollar spent.

5. With the new price of sundaes, what combination of sundaes and candy bars should Mr. Hess now purchase in order to maximize his utility? Explain.

6. Using Mr. Hess's consumption of sundaes at the price of $4 and at the price of $2, draw Mr. Hess's demand curve for hot fudge sundaes below.