**Test1: HS1346**

**Full Mark: 20**

Q1. The utility function of a consumer is given by U=q1q2. Suppose Pq1=1 and Pq2=2. The consumer wants to spend Rs. 40 for both the goods. What will be his demand function for q1 and q2?

Q2. Suppose that a consumer has Rs. 90 to be divided between two goods x and y and the unit price of y is fixed at Rs. 0.20. What will be his demand equation for x if his utility function is: U=logqx+2logqy.

Q3. There are only two consumers in the market. Their demand equations are:

Individual 1: X1=45-9p

Individual 2: X2=7-p

Derive market demand equation?

Q4. Raj's income is Rs. 10,000/month and he consumes 10 Kgs in a month. When he gets a raise of 10%, his consumption increases to 12 Kgs per month. What is his income elasticity of demand?