Module 1: Consumer Behaviour

1. Find the missing figures.

Quantity	TU (In Utils)	MU (In Utils)
1	16	-
2	-	12
3	-	8
4	-	6
5	40	-

2. Given below is the utility schedule of a consumer for commodity X. The price of the commodity is Rupees 6 per unit. How many units should the consumer purchase to maximise his satisfaction? Assume that utility is expressed in utils and one util is equal to rupees one. Give your reasons for the answer.

Consumption Units	1	2	3	4	5	6
Total Utility (TU)	10	18	25	31	34	34

3. A consumer consumes only two goods X&Y whose prices are Rupees 5 and Rupees 4 per unit respectively. If MU_Y is equal to 16 at the point of consumer's equilibrium calculate MU_X.
4. The marginal utility schedule for goods X and Y are given below. Both the goods are priced at Rupees 1 each and income of Rakesh (an individual) is assumed to be Rupees 8. Determine how many units of both the commodities should be purchased by Rakesh to maximise his total utility.

Quantity	MU (X)	MU (Y)
1	11	19
2	10	17
3	9	15
4	8	13
5	7	12
6	6	10
7	5	8
8	4	6

5. A consumer consumes only two goods X&Y whose prices are ₹5 and ₹6 per unit respectively. If the consumer chooses a combination of two goods with marginal utility of X equal to 35 and that of Y equal to 30, is the consumer in Equilibrium? Give reasons. what will a rational consumer do in this situation.
6. A consumer wants to consume two goods; Good A and Good B. Good A is priced at ₹2 per unit and B at ₹4 could per unit. The income of the consumer is fixed at ₹20. Based on this information answer the following questions.
    a. Write down the bundles that are available to the consumer.
    b. Find out the bundles that cost exactly rupees 20.
    c. How many units of Colgate can be purchased if the entire amount is spent on that good?
    d. Write down the algebraic expression for the budget line.
    e. Determine the slope of the budget line.
7. A consumer consumes only 2 Goods X&Y, whose prices are ₹6 and ₹3 per unit respectively. What will be the MRS_{XY} when the consumer is in equilibrium?
8. If the consumer faces budget line equation given by **20X + 10Y = 500**, answer the following questions.
    a. What will be the slope of the budget line?
    b. How many units would he be able to buy if the entire sum of rupees 500 is to be spent on good X only. Show calculations.
    c. Construct a new budget line equation if the price of good Y falls by 50%. also write the slope of the new budget line equation.
9. State the assumptions of the law of diminishing marginal utility.
10. What do you mean by monotonic preferences?