Untitled Question

A student who loves chocolates has a budget of Rs. 10 per day and she purchases chocolates and a composite good y out of that income. The price of the composite good is Rs. 1. The quasilinear utility function $U(x, y) = 2\sqrt{x} + y$ represents the students preferences. With this information answer the following questions.

What is the value of marginal utility of good x 1/1

- 1
- $\frac{1}{\sqrt{x}}$ (Option 2)
- $\sqrt{x}$ (Option 3)
- 0

What is the value of marginal utility of good Y 1/1

- [x] 1

$$\frac{1}{\sqrt{x}}$$

- [ ] Option 2

$$\sqrt{x}$$

- [ ] Option 3
- [ ] 0

Suppose the price of chocolate is initially Rs. 0.50 per ounce. How many ounces of chocolates and how many units of composite goods are in the student's optimal consumption basket? 2/2

- ○ (8, 4)
- ◉ (4, 8)
- ○ (4, 1)
- ○ (1, 8)

Suppose the price of the chocolate drops to Rs. 0.20 per ounce. How many ounces of chocolate and how many units of composite goods are in the student's optimal consumption basket? 2/2

- ○ (25, 4)
- ○ (4, 25)
- ◉ (25, 5)
- ○ (5, 25)

What is the substitution effect that arises out of the decline in the price of chocolate? 2/2

- ○ 0
- ○ 5
- ○ 16
- ◉ 21

What is the income effect that arises out of the decline in the price of chocolate? 2/2

- ◉ 0
- ○ 5
- ○ 16
- ○ 21