

ECON 101 TA Session Worksheet

Module 1 & 2

Name: _____

TA: _____

Instructions: Work through these problems as a group. Show your work and reasoning for all calculations.

Part 1: Marginal Benefit Review

1. Donuts cost \$0.60. The first donut gives you \$2 worth of benefit. Each following donut gives you half as much benefit as the previous one. How many donuts should you buy?

Part 2: Understanding Demand

2. Draw a demand curve (label everything). Then, show me (with a picture of a demand curve) how consumers react when price falls. Label the starting point A and the end point B.
3. What's wrong with this statement? *"Falling prices have increased demand for electric cars."*

Part 3: Utility Maximization

4. Suppose you have \$10 to spend. Slices of pizza cost \$2 each. Cans of Coke cost \$1 each. Given the following utility data, how much of each will you buy to maximize your utility?

Slices of Pizza	TU	MU	MU/P	Cans of Coke	TU	MU	MU/P
1	20			1	20		
2	36			2	35		
3	46			3	45		
4	52			4	50		
5	54			5	53		
6	51			6	52		

Answer:

Part 4: Graphing Demand

5. Graph this demand curve (solve for P first to get inverse demand): $Q = 20 - 2P$
6. Then graph the curve that would show what happens if D shifts out by 4. What's the equation for that new curve?

Extra Problems (If Time Allows)

7. **Show (with pictures) how demand reacts to an increase in the price of a substitute good.**

8. **Winter is here. How does that affect the demand side of the market for ice cream? Answer in words and pictures.**