

### Worksheet on the Theory of Consumer Behaviour

- Q1. Who is a consumer?
- Q2. What is utility?
- Q3. What is a budget constraint or budget set?
- Q4. What bundles a consumer can purchase?
- Q5. Name the approaches to study consumer behavior.
- Q6. What is cardinal utility approach?
- Q7. What is ordinal utility approach?
- Q8. What is total utility at zero level of consumption?
- Q9. Derive MU from TU schedule given below:

Units	Total Utility
1	40
2	70
3	90
4	100
5	100
6	80

- Q 10. Discuss the characteristics of utility.
- Q 11. An individual's MU schedule is given below. Derive TU from it.

Units	MU
1	16
2	12
3	10
4	8
5	0
6	-4

Q 12. A consumer, Mr. Aman is in a state of equilibrium consuming two goods X and Y, with given prices  $P_x$  and  $P_y$ .

(a) What will happen if  $MU_x/P_x > MU_y/P_y$ ?

(b) What will happen if  $P_y$  falls?

Q 13. A consumer consumes only two goods X and Y. Marginal utilities of X and Y are 4 and 3 respectively. The price of X and the price of Y is Rs 3 per unit. Is the consumer in equilibrium? What will be the further reaction of the consumer? Give reasons.

Q 14. A consumer consumes only 2 goods X and Y. The marginal utilities of X and Y are 3. Prices of X and Y are Rs 2 and Rs 1 respectively. Is the consumer in equilibrium? What will be the further reaction of the consumer? Give reasons.

Q 15. Explain consumer equilibrium using indifference curve analysis.

Q 16. What is consumer Budget?

Q 17. What are monotonic preferences?

Q 18. Explain Budget constraint. With diagram.

Q 19. Derive the slope of budget line.

Q 20. What leads to change in the budget line.

Q 21. Explain Indifference curve analysis with its properties.

Q 22. A consumer wants to consume two goods. The prices of the two goods are Rs 4 and Rs 5 respectively. The consumer's income is Rs 20.

(i) Write down the equation of the budget line.

(ii) How much of good 1 can the consumer consume if she spends her entire income on that good?

(iii) How much of good 2 can she consume if she spends her entire income on that good?

(iv) What is the slope of the budget line?

Q 23. Suppose a consumer can afford to buy 6 units of good 1 and 8 units of good 2 if she spends her entire income. The prices of the two goods are Rs 6 and Rs 8 respectively. How much is the consumer's income?

Q 24. Explain why the budget line is downward sloping?