

Answer key

1. C option.
2. Indifference curve
3. Marginal utility is zero
4. Marginal rate of substitution - Explain
5. Law states that as we go on consuming more and more units of a commodity Marginal utility from each additional unit goes on diminishing
Write assumptions also.
6. Consumer's equilibrium is based on the assumption that the income of a consumer is constant and that he spends his entire income on purchasing two goods whose prices are given. ... The consumer can purchase combinations C or D but these will not yield him maximum satisfaction as they lie on lower indifference curve.
7. Answer - 100
8. Monotonic preferences means the consumer preferences are such that greater consumption of a commodity always offers him a higher level of satisfaction.
9. Marginal utility
10. Conditions of consumer equilibrium in two commodity
 $MU_x/p_x = MU_y/p_y = MU_m$