

BCM SCHOOL, BASANT AVENUE, DUGRI ROAD, LUDHIANA
XI ECONOMICS ASSIGNMENT
CHAPTER - CONSUMER'S EQUILIBRIUM
Maximum Marks: 20

Q.1 The consumer is in equilibrium when the following condition is satisfied: (1)

- (a) $MU_x/MU_y > P_x/P_y$
- (b) $MU_x/MU_y < P_x/P_y$
- (c) $MU_x/MU_y = P_x/P_y$
- (d) None of the above

Q.2 A consumer consumes only two goods X and Y whose prices are ₹3 and ₹4 per unit respectively. If the consumer chooses a combination of the two goods with marginal utility of X equal to 4 and that of Y equal of 3, then the consumer will _____ (1)

- (a) Buy more units of both X and Y
- (b) Buy more units of Y and less of X
- (c) Buy more units of X and less of Y
- (d) Buy less units of both, X and Y

Q.3 A consumer has monotonic preferences. The most preferred bundle by him is _____ (1)

- (a) 4 units of X good and 6 units of Y good
- (b) 6 units of X good and 5 units of Y good
- (c) 6 units of X good and 6 units of Y good
- (d) 4 units of X good and 5 units of Y good

Q.4 Assertion (A): The budget line represents all bundles which cost the consumer her entire income.

Reason (R): The budget line is negatively sloping. (1)

- (a) A and R are true and R explains A.
- (b) A and R are true and R does not explain A.
- (c) A is true but R is false.
- (d) A is false but R is true.

Q.5 State giving reasons whether the following statements are true or false: (3)

- (a) Marginal utility can never be negative.
- (b) When the marginal utility falls, total utility also decreases.

Q.6 A rational consumer is consuming only two goods, Good X and Good Y. The prices of the goods are ₹20 and ₹10 respectively. Her total money income is ₹200. Answer the following questions, using the given information: (3)

- (i) State her Budget line equation.



(ii) State the slope of the Budget line of the consumer.

(iii) If she decides to spend her entire income on Good Y, how many units of Good Y can she buy?

Q.7 What are the conditions of consumer's equilibrium under the indifference curve approach?

What changes will take place if the conditions are not fulfilled to reach equilibrium? (4)

Q.8 (a) A consumer consumes only two goods A and B and is in equilibrium. If the price of good B rises, explain the likely reaction of the consumer under utility analysis. (2)

(b) Suppose the price of commodity of X is given as ₹8 and the MU (in rupees) for 6 units is given as: (4 marks)

Good X			Good Y		
Qx	TUx	MUx	Qy	TUy	MUy
1	25	-	1	10	-
2	40	-	2	-	6
3	50	-	3	21	-
4	-	-	4	24	-
5	59	3	5	-	-
6	-	1	6	27	1

