BCM SCHOOL, BASANT AVENUE, DUGRI ROAD, LUDHIANA
Class - XI
July Economics Assignment Solution (2025-26)

1. (c)
2. (e)
3. (c)
4. (b)

5. False: Marginal utility of a good falls and becomes negative when total utility falls as consumption of additional units of a commodity.
True: When marginal utility (MU) falls, total utility (TU) may increase (at decreasing rate) so long as MU is positive.

6. (i) Px.Qx + Py.Qy = M
(ii) (10.Qx + 10.Qy = 200)
⇒ Qx + Qy = 20
Slope of Budget line = (ignoring minus sign) = 2
If the entire income is spent on Good Y Qx is zero;
10.Qx + 10.Qy = 200
⇒ Qy = 20 units.

8. (a) In case of two goods A and B, a consumer will at equilibrium when:
• MU of good A / Price of good A = MU of good B / Price of good B
• MU falls as consumption increases
If the price of Good B rises the per rupee Marginal Utility derived from the consumption of Good A will be more than the consumption of Good B.
This will create a situation where:
MU of good A / Price of good A > MU of good B / Price of good B
This will induce the consumer to reallocate his expenditure from Good B (less satisfying) to Good A (more satisfying). Therefore, consumer will buy more of Good A and less of Good B.
As a result, MU derived from consumption of Good A decreases gradually while the MU derived from consumption of Good B increases. Eventually, this process will continue till MU of good A / Price of good A = MU of good B / Price of good B.

(b)

	Good X				Good Y	
Qx	TUx	MUx	MUx/Px	Qy	TUy	MUy/Py
1	25	25	12.50	1	10	5.00
2	40	15	7.50	2	16	3.00
3	50	10	5.00	3	21	2.50
4	56	6	3.00	4	24	1.50
5	59	3	1.50	5	26	1.00
6	60	1	0.50	6	27	0.50

Given the consumer's income = ₹12 and prices of the two goods (Px = ₹2, Py = ₹2), he will be in equilibrium when the following two conditions are satisfied:
1. For rupee MU from consumption of each good is the same, i.e., MUx / Px = MUy / Py
2. MU falls as more units of a good are consumed.
The condition MUx / Px = MUy / Py is satisfied at the following combinations of the two goods:
(i) 3X + 1Y
(ii) 4X + 2Y
(iii) 5X + 4Y
(iv) 6X + 6Y
Total money expenditure on these combinations are:
(i) 3 × 2 + 1 × 2 = ₹8
(ii) 4 × 2 + 2 × 2 = ₹12
(iii) 5 × 2 + 4 × 2 = ₹18
(iv) 6 × 2 + 6 × 2 = ₹24

The consumer is in equilibrium when he buys 4 units of Good X and 2 units of Good Y because his money income is ₹12.
He will not buy the combination 3X + 1Y because he can gain by purchasing more. Also, he cannot obtain the combinations 5X + 4Y and 6X + 6Y due to money constraint.