

XI Economics Assignment 4

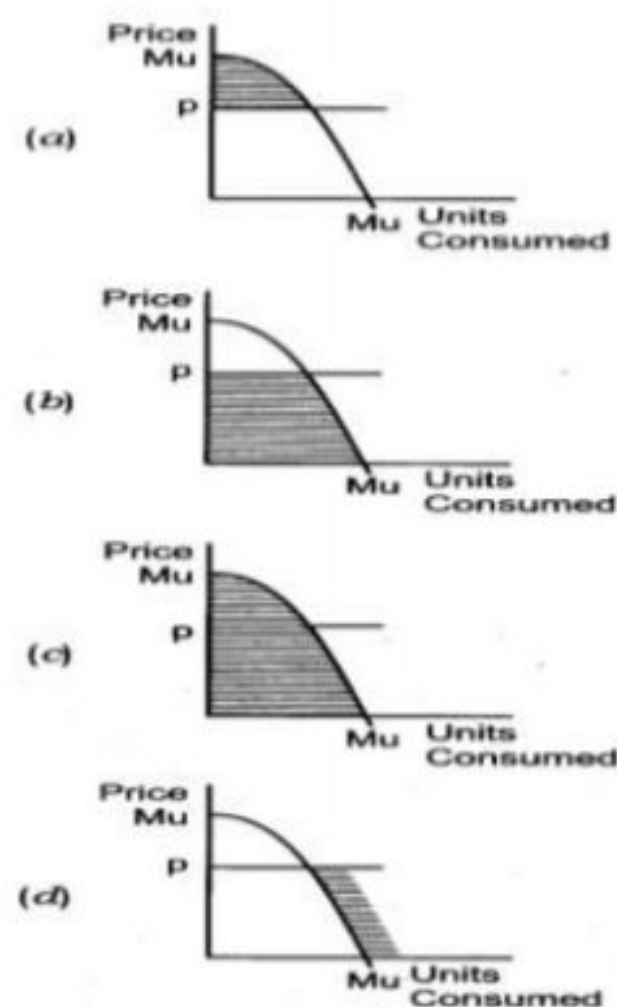
**CONSUMER'S EQUILIBRIUM –
UTILITY ANALYSIS
&
INDIFFERENCE CURVE ANALYSIS
MULTIPLE CHOICE QUESTIONS (MCQ)
Total Question:- 16**

Question 1. Total utility is maximum when:-

- (a) Marginal utility is zero.
- (b) Marginal utility is at its highest point.
- (c) Marginal utility is equal to average utility.
- (d) Average utility is maximum.

Answer: (a)

Question 2. Which of the shaded area in the diagrams below represent total utility?



Answer: (c)

Question 3. What does the area under the marginal utility curve depict?

- (a) Average Utility
- (b) Total Utility
- (c) Indifference Curve
- (d) Consumer Equilibrium

Answer: (b)

Question 4. Which one of the following is not an assumption of the theory of demand based on analysis of indifference curve?

- (a) Given scale of preferences as between different combinations of two goods.
- (b) Diminishing marginal rate of substitution.
- (c) Constant marginal utility of money.
- (d) Consumers would always prefer more of a particular piece of goods to less of it, other things remaining the same.

Answer: (c)

Question 5. The consumer is in equilibrium at a point where the budget line—

- (a) Is above an indifference curve.
- (b) Is below an indifference curve.
- (c) Is tangent to an indifference curve.
- (d) Cuts an indifference curve.

Answer: (c)

Question 6. An indifference curve slopes down towards right since more of one commodity and less of another result in—

- (a) Same satisfaction.
- (b) Greater satisfaction.
- (c) Maximum satisfaction.
- (d) Decreasing expenditure.

Answer: (a)

Question 7. The second glass of lemonade gives lesser satisfaction to a thirsty boy. This is a clear case of

- (a) Law of demand.
- (b) Law of diminishing returns.
- (c) Law of diminishing utility.
- (d) Law of supply.

Answer: (c)

Question 8. The consumer is in equilibrium when the following condition is satisfied:

- (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 these.

Answer: (c)

Question 9. Which of the following options is a property of an indifference curve?

- (a) It is convex to the origin.
- (b) The marginal rate of substitution is constant as you move along an indifference curve.
- (c) Marginal utility is constant as you move along an indifference curve.
- (d) Total utility is the greatest where the 45 degrees line cuts the indifference curve.

Answer: (a)

Question 10. When economists speak of the utility of a certain good, they are referring to-

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- (a) The demand for the good.
 - (b) The usefulness of the good in consumption.
 - (c) The satisfaction gained from consuming the good.
 - (d) The rate at which consumers are willing to exchange one unit of good for an other one.

Answer: (c)