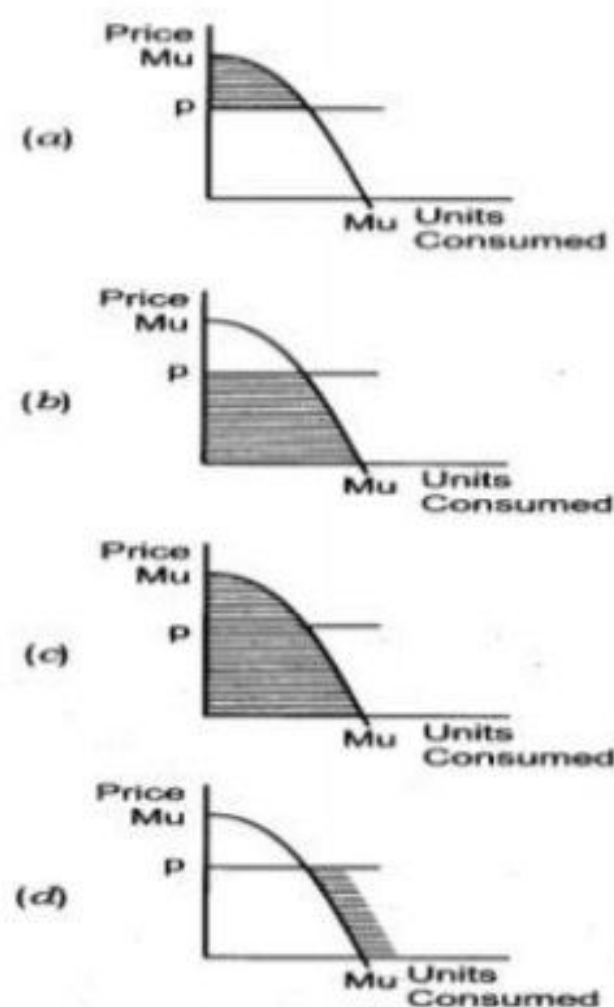# CONSUMER'S EQUILIBRIUM –
UTILITY ANALYSIS
&
INDIFFERENCE CURVE ANALYSIS
MULTIPLE CHOICE QUESTIONS (MCQ)
Total Question:- 16

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.

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

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

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

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.

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.

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.

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.

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

(a) MUxMUy > PxPy

(b) MUxMUy < PxPy

(c) MUxMUy = PxPy

(d) None of these.

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.

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

(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 another one.