

## Lesson - 2 and 3

### Answer the following questions

1. What is meant by utility ? Discuss the relationship between total utility and marginal utility.
2. What do you understand by consumer's equilibrium? Give assumption and conditions of consumer's equilibrium.
3. Explain the meaning of consumer's equilibrium with the help of a table and diagram.
4. Explain concept of consumer's equilibrium. Explain consumer's equilibrium in the case of a single commodity. (Delhi 2006)
5. Define consumer's equilibrium. Explain consumer's equilibrium in case of consumption of two commodities. (Delhi 2009C)

### Answer the following questions

1. Explain assumptions of utility analysis.
2. Explain the relationship between total utility and marginal utility.
3. Explain Consumer's Equilibrium.
4. Explain Consumer's equilibrium in case of a single commodity.
5. What is consumer equilibrium. Explain consumer's equilibrium in case of two commodities. (Delhi 2009C)
6. State Law of diminishing marginal utility with the help of schedule (Foreign 2009)

### NUMERICAL PROBLEMS

1/ If a consumer has Rs. 10 to be spent on Apples and Bananas. Price of each fruit is Rs. 2 per kg. Answer the following questions taking into account the utility schedule given below.

- (a) How much quantity of each fruit the consumer should buy to maximise his satisfaction? *Apple → 3, Banana → 2*
- (b) How much money he should spend on each fruit so as to maximise satisfaction? *Apple → 6, Banana → 4*
- (c) How much maximum utility the consumer will get in equilibrium? *12*

Quantity (in Kg)	MU of Apple (in Utils)	MU of Banana (in Utils)
1	16	14
2	14	12
3	12	10
4	10	8
5	8	6

2/ Ice Creams sell for Rs. 30 each. Luxmi who loves ice cream has already 3. Her marginal utility for eating 3 ice creams is 90. Suppose her MU of one Rupee is 3. Should she eat more cream or should she stop? (No and Stop eating)

3/ Show consumer's equilibrium in the following.

Units. of Apples	M.U. (Rs.)	Price (Rs)
1	25	15
2	20	15
3	15	15
4	10	15
5	5	15