St. Mary's School, Dwarka
Holiday Homework
Class XI
Subject: Economics
Week 3
Worksheet 3

No. of questions:10   **M.M. 25**

Q1. Define Utility.   (1)

Q2. What will be the MU when TU is maximum?   (1)

Q3. State the law of equi-marginal utility.   (1)

Q4. A consumer has Rs 40 and both goods X and Y are priced at Rs 20 and are available in integer units, (a) Give the bundles that this consumer can afford (b) give the bundles that cost exactly Rs 40.   (3)

Q5. Give reasons for the following statements: (3)

1) If the income of a consumer changes and prices of the two goods remain unchanged, a new budget line will be formed which will be parallel to the original line.

2) If the income of the consumer remains unchanged and if the price of goods X rises, intercept of the budget line of Y-axis will remain the same, but on the X-axis, it will shift to the left.

Q6. Giving reasons, comment on the following statements: (3)

a) A consumer's equilibrium is always formed at a point on the given budget line.

b) A consumer's equilibrium will shift to a higher indifference curve with an increase in consumer's income.

Q7. Giving reasons, state why the following two conditions must be satisfied when a consumer is in equilibrium.   (3)

a) A budget line must be tangent to an indifference curve.

b) Marginal rate of substitution must be diminishing.

Q8. Define market rate of exchange.   (3)

Q9. Derive the law of demand from the two-commodity equilibrium condition "Marginal Utility = price ratio through utility approach".   (3)

Q10. Describe the assumption which is made to determine the consumer's equilibrium position.   (4)