C O I - R & U - Very Short - R & U - V-Info

Q.1. What do you mean by an indifference curve?

Ans. It is a curve showing different combinations of a set of 2-Goods, each combination offering the same level of satisfaction to the consumer.

Q.2. What does an indifference curve show?

Ans. An indifference curve shows different combinations of two commodities offering the same level of satisfaction to the consumer.

Q.3. What is meant by an indifference map?

Ans. A set of indifference curve is known as indifference map.

Q.4. What is meant by budget set?

Ans. Budget set is the attainable combinations of a set of two goods, given the prices of goods and income of the consumer.

Q.5. Define price line.

Ans. Price line (or budget line) shows the price ratio between Good-X and Good-Y, or the rate at which one good can be exchanged for the other, given prices of the two goods in the market.

Q.6. What is the slope of the budget line?

Ans. The slope of the budget line shows the price ratio between Good-1 and Good-2.

Q.7. Define monotonic preferences.

Ans. Monotonic preferences mean that a rational consumer always prefers more of a commodity as it offers him a higher level of satisfaction.

Q.8. What is MRS?

Ans. MRS (Marginal Rate of Substitution) refers to the rate at which the consumer is willing to substitute Good-X for Good-Y.

Q.9. What does the slope of the indifference curve indicate?

Ans. The slope of the indifference curve indicates marginal rate of substitution.