CLASS XII
UTILITY ANALYSIS

I. Answer in one sentence each (1 marks)

a. When marginal utility is zero, Total utility will be
b. When MUx/Px > MUy/Py, Wha twill the Consumer do?
c. If a commodity is available at free of cost, how many unit will a consumer consume in order to be at equilibrium?
d. State the law of diminishing marginal utility.
e. Define utility.

II. Answer in around sixty words. (3 marks)

a. Why should a consumer buy more units of a good when its price falls? Explain in terms of utility analysis.
b. What are the assumptions of utility analysis of consumer behavior?
c. Distinguish between cardinal measurement and ordinal measurement
d. What are the limitations of utility analysis
e. Lakshmi purchases 5 units of ice cream when its price was Rs.Rs.10 per unit and is at equilibrium. Should she consume more or less to be at equilibrium when its price decreases to Rs.5 per unit? State reason.

III. Answer in around 70 words. (4 marks)

a. How many units of a commodity should a consumer consume in order to maximize her satisfaction? Explain in terms of utility analysis.

b. A consumer consumes two goods, good X and good Y. Prices of the two goods are Px and Py respectively. Explain how consumer reaches equilibrium in the consumption of two goods.

c. Consider the following utility schedule. How many units of a commodity should a consumer consume to be in equilibrium if market price of the good is Rs. 3 per unit. Explain with reason.

Units consumed:	1	2	3	4	5	6	7	8
Total Utility:	10	18	24	28	31	33	33	29