Test : Consumer Equilibrium and Demand

Q1: Briefly answer the following: (1 X 7)

a) Why is coefficient of Price elasticity of demand, negative?

b) What is the value of elasticity of demand on a rectangular hyperbola demand curve?

c) State the law of equi -marginal utility.

d) Give the reason behind convex indifference curve.

e) State the law of diminishing marginal utility.

f) What is budget line? Why is budget line download sloping?

g) State two conditions of consumer equilibrium attained through indifference curve approach?

Q2: Explain consumer equilibrium in case of single commodity with the help of utility schedule? (3)

Q3: A consumer buys 20 units of a good at Rupees 10 per unit. The price elasticity of demand of this good is 1. Calculate the quantity demanded by the consumer when the price falls to Rupees 8 per unit? (1)

Q4: A consumer buys 50 units of a good at a price of rupees 10 per unit. When price falls to Rupees 5 per unit, he buys 100 units. Find the price elasticity of demand by the "Total Expenditure Method". (1)

Q5: When the price of a good falls by 10%, its quantity demanded rises from 40 units to 50 Units. Calculate the price elasticity of demand by "Percentage Method". (1)

Q6: The quantity demanded of a commodity at a price of rupees 8 per unit is 600 units. When its price falls by 25% the quantity demanded rises by 120 units

a) Calculate the price elasticity of demand of commodity? (1)

b) Is the demand Elastic or Inelastic? Give Reason. (1)

Q7: Explain with the help of diagram the effect of the following changes on the demand of a commodity (6)

a) A fall in the price of complementary goods

b) A rise in the income of the buyer

Q8: Explain the law of demand and the reasons behind it? (6)

Q9: Define Price elasticity of demand and factors affecting Price Elasticity of demand? (6)

Q10: Distinguish between Microeconomics and Macroeconomics? Give examples (3)

Q11: Consumer spends his entire income on two goods X and Y. Currently his Marginal Rate of Substitution (MRS) of X and Y is more than the price ratio of two goods. Discuss the changes that will take place, so that consumer is able to reach equilibrium position. (3)

Q12: The price elasticity of demand of good X is known to be twice that of good Y. Price of X fall by 5% while that of good Y Rises by 5%. What is the percentage change in the quantities demanded of X and Y? (1)

Q13: If ratio of change in quantity of Product X, to original quantity of product X is 0.5 and elasticity of demand is (-) 1.25 Calculate the percentage change in price (1)

Q14: The demand function of a commodity X is given as Qx = 20- 2 Px. Calculate its Price Elasticity of demand when price falls from Rs. 5 to Rs. 3 ? (1)

Q15: The Demand curve for the commodity is given as Dx = 20 - 2P. If slope of the demand curve is (-2), calculate price elasticity of demand for the commodity when the price of the commodity is Rs. 5 per unit. *(1)*

Q16 : Define and draw a Production Possibility Curve. *(3)*

(a) *What does movement along the curve show.*
(b) *What does a point below the curve indicate*
(c) *Why is the Production Possibility Curve Conclave.*

Q17 : a) Define Concept of Marginal Rate of Transformation. *(2)*

c) *From the Production Possibility Schedule below, Calculate the Marginal Rate of Transformation of good 'X'*

Production Possibilities	*A*	*B*	*C*	*D*	*E*	*F*
Production of Good "X'	*0*	*1*	*2*	*3*	*4*	*5*
Production of Good "Y'	*15*	*14*	*12*	*9*	*5*	*0*

(2)