

Theory of Consumer Behaviour

CONSUMER'S EQUILIBRIUM

SHORT ANSWER TYPE QUESTIONS

1. What is budget line?
2. Explain why the budget line is downward sloping.
3. Define the terms(i) marginal utility(ii) total utility(iii) utility.
4. State the law of diminishing marginal utility.
5. What is meant by consumers equilibrium?
6. Define indifference curve.
7. Define marginal rate of substitution.
8. Why budget line is a straight line?
9. What is ordinal utility?
10. Explain the conditions of consumer's equilibrium with the help of utility analysis.
11. Explain the relation between total utility and marginal utility.
12. Explain the distinction between budget set and budget line.

LONG ANSWER TYPE QUESTIONS

1. Define indifference curve. Explain why it is downward sloping from left to right.
2. 'Higher indifference curve represent lighter level of satisfaction to the consumer.'
Explain the statement.
3. Explain the three properties of indifference curve.
4. Derive MU from the team schedule given below.

UNITS	1	2	3	4	5	6
TU	4	7	9	10	10	8

5. Calculate the missing figures..

UNITS	1	2	3	4	5	
TU IN UNITS	5	9		14		
MU IN UNITS			4		1	

DEMAND

SHORT ANSWER TYPE QUESTIONS

1. Define demand for good.
2. Define substitute good. Give an example.
3. When a good is called an inferior good? Give example.
4. What is the law of demand?
5. What is meant by increase in demand?
6. What do you mean by normal good?
7. Give any two reasons for rightward shift of demand curve.
8. What is meant by expansion of demand.
9. Explain law of demand with the help of schedule and curve.
10. When does decrease in demand takes place.

LONG ANSWER TYPE QUESTIONS

1. Differentiate between movement along the demand curve and shift in demand curve
2. How is the demand of a commodity affected by changes in the price of related goods? Explain with the help of examples.
3. Distinguish between individual demand and market demand?
4. What is the difference between complementary and substitute goods.
5. Explain the causes behind law of demand.
6. Explain in brief the various exceptions to law of demand.
7. Explain causes of leftward shift in demand curve of a commodity.
8. Explain the effect of the change in the prices of related goods on the demand for a given good..

ELASTICITY OF DEMAND

SHORT ANSWER TYPE QUESTIONS

1. Define price elasticity of demand.
2. Why the price of elasticity of demand is generally negative?
3. Give the meaning of inelastic demand.
4. What is meant by unitary elastic demand?
5. What is meant by highly elastic demand?
6. Discuss the percentage method for calculating price elasticity of demand.
7. Explain any two factors that affect the price elasticity of demand.
8. Explain the influence of following on price elasticity of demand of a good (i) substitute goods (ii) own price of the good

LONG ANSWER TYPE QUESTIONS

- 1.Explain the significance of elasticity of demand.
- 2.Discuss various factors that affect price elasticity of demand.
- 3.Explain the percentage method of determining elasticity of demand with the help of examples.
- 4.Explain in brief the following kinds of price elasticity of demand (i)Highly elastic demand (ii)Less elastic demand(iii) Unitary elastic demand.

