

PENANG SANGAM HIGH SCHOOL

YEAR 13

ECONOMICS

WORKSHEET 4

Question 1

Study the table given below which show Grace's utility and answer the questions which follow.

| Chicken Pizza | Total Utility | Marginal Utility |
|------------------|------------------|------------------|
| 1 | 10 | - |
| 2 | 18 | a. |
| 3 | b. | 6 |
| 4 | 28 | c. |
| 5 | 30 | d. |
| 6 | e. | 0 |
| 7 | 28 | - |

- a. Complete the table.

- b. Suppose the chicken pizza was free, how many pieces would a rational consumer eat? _

- c. Give an example of disutility or negative utility.

- d. Suppose money has the equivalent utility of **\$1 =1 util.** Use the information in the table to complete a **demand schedule** of chicken pizzas for Grace.

Question 2

1. Suppose that Olivia has \$5 to spend. Study the table below and answer the questions which follow.

| Olivia's MU for Chips and Chocolate Bars | | | | | | |
|--|-------|------------|-----------|----------------|------------|-----------|
| | Chips | | | Chocolate Bars | | |
| Quantity | MU | Price (\$) | MU per \$ | MU | Price (\$) | MU per \$ |
| 1 | 75 | 2.50 | 30 | 54 | 1.20 | 45 |
| 2 | 50 | 2.50 | 20 | 36 | 1.20 | 30 |
| 3 | 40 | 2.50 | 16 | 24 | 1.20 | 20 |
| 4 | 32 | 2.50 | 12.8 | 10 | 1.20 | 8.3 |

- (i) What combination of chips and chocolate bars should she buy to maximize her satisfaction?
 - (ii) State the economic law which the decision above applies to.
 - (iii) Define the law above?
2. State the significance of indifference curve?
 3. State 2 assumptions of indifference curve?