REVISION QUESTIONS – WORKSHEET 21
YEAR 13
ECONOMICS

Strand	2 - MICROECONOMICS
Sub Strand	2.1 Consumer Behaviour
Content Learning Outcome	2.1.1 Explore the theory of marginal utility and indifference curve analysis to explain consumer behaviour.

QUESTION 1   **MULTIPLE-CHOICE QUESTIONS**   **(7 marks)**

1. The equation $I = (P_x x Q_x) + (P_y x Q_y)$ is referred to as the is referred to as the is referred to as the is referred to as the is referred to as the is referred to as the is referred to as the

A. budget equation.   C. supply equation.

B. demand equation.   D. equation of exchange.

2. The indifference curve is convex to the origin because of the

A. law of diminishing returns.   C. marginal rate of transformation.

B. marginal rate of substitution.   D. law of diminishing marginal utility

3. Which of the following is a factor causing a shift in the budget line?

A. change in price   C. change in demand

B. change in supply   D. change in environment

4. The intent of determining the price elasticity of supply is to show how a change in price impacts

A. goods supplied to consumers.   C. amount of goods demanded by consumers.

B. goods demanded by consumers.   D. amount of good supplied to consumers.

5. Which of the following is **positively** sloped?

A. supply curve   C. linear function

B. demand curve   D. gradient of a curve.

6. **Marginal physical productivity** (MPP) is defined as

A. the marginal revenue created due to an addition of one unit of resource.

B. an increase in output due to an increase in one more unit of factor of production.

C. a decrease in output due to an increase in one more unit of factor of production.

D. the quantity of total output produced per unit of a variable input, holding all other inputs fixed.

7. Which of the following is a principle of **eco-tourism**?

A. maximise physical and social behaviour.

B. design and construct low impact facilities.

C. removal of the rights of indigenous people.

D. generate financial benefits for private industries only.

QUESTION 2   **SHORT ANSWER QUESTIONS**   **(19 marks)**

a. Study the table below and answer the questions (i) to (iii) which follow.

Total and Marginal Utility Schedules		
Units of Good X	**Total Utility (TU)**	**Marginal Utility(MU)**
1	20	20
2	27	7
3	32	5
4	35	3
5	33	0
6	34	-1

(i) Define **total utility**.   **(1 mark)**

(ii) Explain how marginal utility is calculated. Include the formula in your explanation.   **(2 marks)**

(iii) Assume that **\$1 = 1 util**, construct a demand curve from the above data.   **(2 marks)**

b.   Study the graph below and answer questions (i) to (iii) which follow.
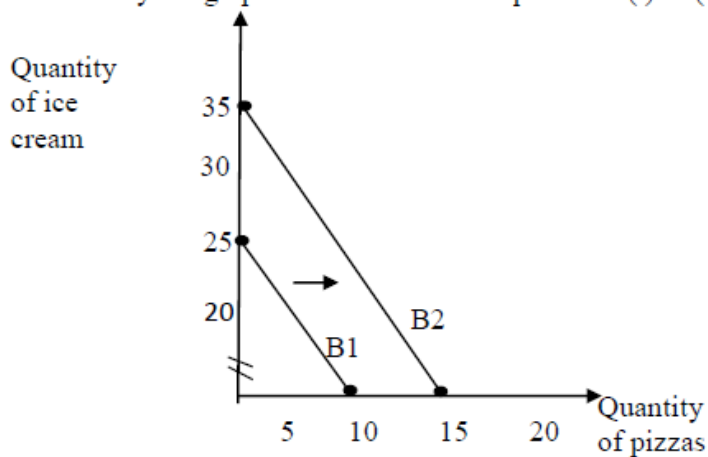
(i) Define **budget line** .   **(1 mark)**

(ii) Calculate the income level if cost of ice cream is $2 per cone and cost of Pizzas is $5.00? **(1 mark)**

(iii) Identify the cause of the movement from B1 to B2.   **(1 mark)**

c.   Study the graph below and answer questions (i) to (iii) w
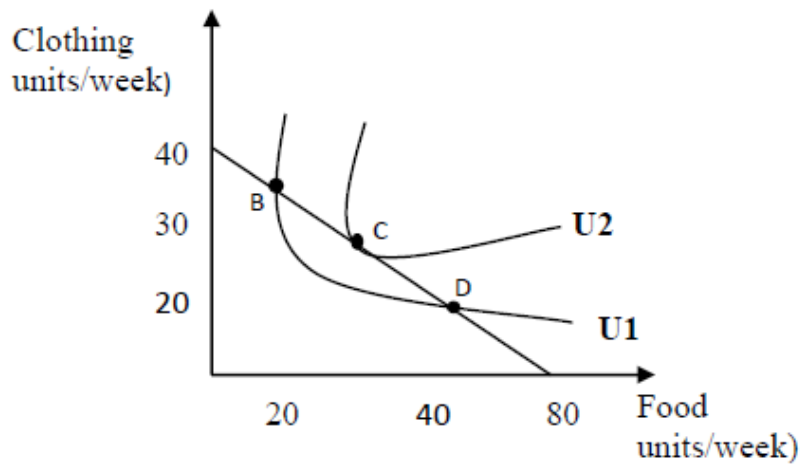
(i) Name the curve **U1**.   **(1 mark)**

(ii) State the point which a rational consumer will choose to consume.   **(1 mark)**

(iii) Explain your reason to the above question in part (ii).   **(2 marks)**

d. Read the article below and answer the questions (i) and (ii).

> A farmer from Muaniweni is contemplating whether to rent an additional acre of land for his dalo farm in 2021.

(i) Define marginal productivity theory. **(1 mark)**

(ii) Explain what the farmer will have to consider in order to make the right decision for his dalo farm in 2021. **(2 marks)**

e. Study the article below and answer the questions which follow.

> Suppose the quantity supply and demand of seats in the BOG Final is as follows:
>
> S (P) = 100-5Q   D (P) = 50 +5Q

Calculate the **equilibrium price** and **quantity**. **(2 marks)**

f. (i) Define **transport**. **(1 mark)**

(ii) State one importance of promoting connectivity in transport. **(1 mark)**

The End