

SANGAM SKM COLLEGE – NADI
YEAR 13
ECONOMICS
WORKSHEET 5

QUESTION 1 MULTIPLE CHOICE

Circle the letter of the **best** answer in the **Answer Booklet**.

1. The concept of **utility** is used by economists to provide an explanation for the shape of
 - A. supply curve.
 - B. demand curve.
 - C. indifference curve.
 - D. production possibility curve.

SHORT ANSWER QUESTIONS

QUESTION 2

- (a) The price of burger king is \$25 and the price of a slice of pizza is \$5. If the marginal utility of consuming a slice of pizza is 30, use the Law of Equi-Marginal Utility and calculate the marginal utility of consuming burger king.
- (b) The table below shows Rohan’s utility when he consumes coconut drink. Use the table given below and your knowledge to answer questions (i) to (iv).

Quantity / Glass	Total Utility
1	30
2	40
3	45
4	47
5	47
6	45

- (i) At how many glasses of coconut drink consumed, does the Law of Diminishing Marginal Utility set in?
- (ii) State the Optimum Purchases Rule.
- (iii) If the price of a glass of coconut drink is \$2, how many glasses of coconut drink Rohan will consume to maximize utility? (Assume 1 util is equivalent to \$1.00)
- (iv) If the coconut drinks were given free, as a rational consumer, how many glasses of coconut drink will Rohan consume?

QUESTION 3

Study the excerpt below on elasticity of supply and answer questions (i) to (iii).

Samuel produces wall clocks and supply the entire market in Nadi. The government of the day has provided him subsidy to lower the cost of production of wall clocks. Before subsidy the price of the wall clock was \$10.00 and quantity supplied was 2000 wall clocks. After the subsidy, the price of the wall clock is \$6 and the quantity supplied is 3000 wall clocks.

Define **price elasticity of supply**

List two determinant of price elasticity of **supply**.

Calculate the price elasticity of supply for Wall Clocks and indicate the type of elasticity of supply that would occur in Samuel’s situation.

i

THE END