**TUTORIAL 4:**

**THEORY OF CONSUMER BEHAVIOUR**

**Name:**

**Marks**:

**ID:**

**Section:**

Question 1

|  |  |
| --- | --- |
| **Term** | **Definition** |
| Total utility |  |
| Marginal utility |  |
| Law of diminishing marginal utility |  |
| Law of equi-marginal utility |  |
| Indifference curve |  |
| Budget line |  |

 Give the definition of each of the following term:

Question 2

The table below shows the utility derived by Thor after consuming three different types of food.

|  |  |  |  |
| --- | --- | --- | --- |
| **Quantity****(unit)** | **Chicken ($3)** | **Fish ($5)** | **Beef ($4)** |
| **TU** | **MU** | **MU/P** | **TU** | **MU** | **MU/P** | **TU** | **MU** | **MU/P** |
| 1 | 180 |  |  | 500 |  |  | 300 |  |  |
| 2 | 300 |  |  | 925 |  |  | 540 |  |  |
| 3 | 405 |  |  | 1225 |  |  | 760 |  |  |
| 4 | 465 |  |  | 1400 |  |  | 920 |  |  |
| 5 | 495 |  |  | 1500 |  |  | 1060 |  |  |

1. Complete the table. Find the marginal utility and marginal utility per price.
2. What are the combinations of chicken, fish and beef that Thor can buy to maximize his satisfaction?
3. Calculate the total spending made by Thor for each of the combination.
4. Which combination of chicken, fish and beef should Thor choose if he has an income of $30?

Question 3

1. The following table shows the combinations of Good B and Good C that Johnny Depp can consume which gives the same level of satisfaction.

|  |  |  |
| --- | --- | --- |
| **Combinations** | **Good B** | **Good C** |
| Q | 12 | 3 |
| R | 9 | 4 |
| S | 5 | 6 |
| T | 3 | 10 |

1. On a graph paper, sketch a graph to show the indifference curve for Johnny Depp. Label the indifference curve as IC0.
2. Johnny Depp has an income of RM60 and he wants to consume two goods which are Good B with the price of RM6 and Good C with the price of RM5. On the same graph, draw a budget line for Johnny Depp. Label the budget line as BL0.
3. Based on question (a)(ii), show the consumer equilibrium on the graph. Label the consumer equilibrium as CE.
4. Show the change in the budget line if there is an increase in the price of Good B from RM6 to RM8. Label the new budget line as BL1.