**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. Assume that Thor has a pocket money of $30, what is the combination of chicken, fish and beef that he can buy to maximize his satisfaction?
3. How much will Thor have to spend for the combination of the three foods?
4. If his pocket money is increased to $50, what is the new combination of chicken, fish and beef that he can buy to maximize his satisfaction?
5. How much will Thor has to spend for the combination of the three foods after his pocket money increases?

Question 3

1. List down the characteristics of the indifference curve.
2. Johnny Depp has an income of RM40 and he wants to consume two goods which are Good B with the price of RM4 and Good C with the price of RM8. Assuming that his income does not change, draw a graph to show the movement of the budget line when:
3. There is an increase in the price of Good B from RM4 to RM5.
4. There is a decrease in the price of Good C from RM8 to RM5.