

CHAPTER-2 | Theory Of Consumer Behaviour

QUIZ
PART-03

1. The indifference curve shows
 A. The various combinations of two commodities that give the consumer the same level of satisfaction
 B. The various combinations of two commodities that give the consumer different levels of satisfaction
 C. Both A and B
 D. Neither A nor B (A)

Explanation : An indifference curve represents all bundles of two goods that provide equal satisfaction to the consumer.

2. The law of diminishing marginal rate of substitution (MRS) states that as the consumer substitutes one commodity for another, the MRS
 A. Becomes negative B. Remains constant
 C. Increases D. Diminishes (D)

Explanation : MRS diminishes because the consumer sacrifices less and less of one good to gain additional units of another.

3. Which of the following is a key property of an indifference curve?
 A. It is upward sloping and concave to the origin
 B. It is upward sloping and parallel to the axes
 C. It is downward sloping and convex to the origin
 D. It is downward sloping and concave to the origin (C)

Explanation : Indifference curves slope downward from left to right and are convex to the origin due to diminishing MRS.

4. The ordinal utility approach differs from the cardinal approach because it
 A. Measures utility in numbers
 B. Ranks utility instead of measuring it
 C. Assumes utility is constant
 D. Rejects consumer rationality (B)

Explanation : Ordinal utility ranks satisfaction levels rather than measuring them numerically.

5. When a consumer is indifferent between bundles, it means
 A. One bundle provides greater satisfaction than the other
 B. Both bundles provide equal satisfaction
 C. Neither bundle provides satisfaction
 D. Utility cannot be compared (B)

Explanation : Indifference means that different bundles yield equal satisfaction to the consumer.

6. An indifference map refers to
 A. A collection of production possibility curves
 B. A collection of multiple indifference curves showing various satisfaction levels
 C. A single indifference curve showing equal satisfaction
 D. The budget line of a consumer (B)

Explanation : An indifference map is a set of indifference curves representing different satisfaction levels.

7. Higher indifference curves represent
 A. Lower levels of utility
 B. Equal levels of utility
 C. Greater levels of utility
 D. Negative utility (C)

Explanation : Higher ICs represent bundles that give the consumer higher satisfaction compared to lower ICs.

8. Which of the following is true regarding two indifference curves?
 A. They may intersect at one point
 B. They can never intersect
 C. They always overlap
 D. They are parallel lines (B)

Explanation : Two ICs cannot intersect because it would imply inconsistent satisfaction rankings.

9. The marginal rate of substitution (MRS) measures
 A. The slope of the budget line
 B. The amount of good A a consumer sacrifices for one more unit of good B
 C. The total utility derived from all goods
 D. The money spent per unit of a good (B)

Explanation : MRS indicates how much of one good must be given up to consume an additional unit of another.

10. The convex shape of an indifference curve to the origin is due to
 A. Constant MRS B. Increasing MRS
 C. Diminishing MRS D. Negative utility (C)

Explanation : ICs are convex because the MRS diminishes as the consumer substitutes one good for another.