

## CHAPTER-2 | Theory Of Consumer Behaviour

QUIZ  
PART-02

1. The cardinal utility approach assumes that  
 A. Utility can only be ranked, not measured  
 B. Utility is subjective and cannot be measured  
 C. Utility can be measured in quantitative terms like units of satisfaction  
 D. None of the above (C)

**Explanation :** The cardinal approach assumes utility can be measured numerically, e.g., in utils or money terms.

2. Which of the following is the main assumption of the law of diminishing marginal utility?  
 A. Marginal utility increases with each unit consumed  
 B. Marginal utility decreases as more units are consumed  
 C. Total utility always decreases with consumption  
 D. Utility remains constant for all units (B)

**Explanation :** The law states that each additional unit of a commodity gives less extra satisfaction than the previous one.

3. According to the law of diminishing marginal utility, when marginal utility becomes zero, total utility is  
 A. At its minimum  
 B. Still increasing  
 C. At its maximum  
 D. Negative (C)

**Explanation :** Total utility is maximum when marginal utility becomes zero; consuming further reduces TU.

4. In the one-commodity case, a consumer reaches equilibrium when  
 A.  $MU_x = P_x$   
 B.  $MU_x < P_x$   
 C.  $MU_x > P_x$   
 D.  $MU_x = TU_x$  (A)

**Explanation :** Equilibrium occurs when marginal utility equals the price of the commodity.

5. If  $MU_x > P_x$ , the consumer will  
 A. Reduce consumption  
 B. Stop consuming the good  
 C. Increase consumption until  $MU_x = P_x$   
 D. Consume randomly (C)

**Explanation :** More utility per rupee means the consumer increases consumption until equilibrium is restored.

6. If  $MU_x < P_x$ , the consumer will  
 A. Increase consumption  
 B. Reduce consumption until  $MU_x = P_x$   
 C. Stop consuming altogether  
 D. Buy another commodity (B)

**Explanation :** Less utility per rupee means reducing consumption until MU equals price.

7. The law of equi-marginal utility states that consumers allocate their income such that  
 A. Marginal utility of each commodity is maximized  
 B. Marginal utility per rupee spent on each commodity is equal  
 C. Total expenditure on each commodity is equal  
 D. Total utility from each commodity is equal (B)

**Explanation :** The law requires equality of marginal utility per rupee across goods for maximum satisfaction.

8. Which of the following best illustrates diminishing marginal utility?  
 A. Eating the first apple gives high satisfaction, the second less, and the third even less  
 B. A consumer always enjoys every apple equally  
 C. Eating more apples increases satisfaction at the same rate  
 D. Eating fewer apples decreases satisfaction (A)

**Explanation :** The apple example shows marginal utility declines with additional consumption.

9. In the two-commodity case, equilibrium condition is  
 A.  $MU_x = MU_y$   
 B.  $MU_x \times P_x = MU_y \times P_y$   
 C.  $MU_x / P_x = MU_y / P_y$   
 D.  $MU_x + MU_y = P_x + P_y$  (C)

**Explanation :** The law of equi-marginal utility states equilibrium is reached when MU per rupee is equal for all goods.

10. The law of diminishing marginal utility is also known as the  
 A. Law of Total Satisfaction  
 B. Fundamental Law of Satisfaction  
 C. Law of Consumer Surplus  
 D. Principle of Maximum Utility (B)

**Explanation :** The law is regarded as the fundamental law of satisfaction in consumer behaviour.