

Theory of Consumer Behaviour

Question 1.

Who gave the cardinal concept of utility?

- (a) Marshall
- (b) Pigou
- (c) Hicks
- (d) Samuelson

▼ [Answer](#)

Answer: (a) Marshall

Question 2.

Consumer's behaviour is studied in:

- (a) Micro Economics
- (b) Macro Economics
- (c) Income Analysis
- (d) None of these

▼ [Answer](#)

Answer: (a) Micro Economics

Question 3.

Which of the following statement is true ?

- (a) Utility means want-satisfying power
- (b) Utility is a function of intensity of desire
- (c) Desire of consumption gives birth to utility
- (d) All of these

▼ [Answer](#)

Answer: (d) All of these

Question 4.

Which is the First Law of Gossen?

- (a) Law of Demand
- (b) Law of Diminishing Marginal Utility
- (c) Law of Equi-marginal Utility
- (d) Consumer's Surplus

▼ [Answer](#)

Answer: (b) Law of Diminishing Marginal Utility

Question 5.

Which of the following is a characteristic of utility ?

- (a) Utility is a psychological phenomenon
- (b) Utility is subjective
- (c) Utility is a relative concept
- (d) All of these

▼ [Answer](#)

Answer: (d) All of these

Question 6.

How we calculate marginal utility ?

- (a) $\Delta TU / \Delta Q$
- (b) $\Delta MU / \Delta Q$
- (c) $\Delta Q / \Delta TU$
- (d) $\Delta Q / \Delta MU$

▼ [Answer](#)

Answer: (a) $\Delta TU / \Delta Q$

Question 7.

When TU becomes maximum, MU is:

- (a) Positive
- (b) Negative
- (c) Zero
- (d) None of these

▼ [Answer](#)

Answer: (c) Zero

Question 8.

Which of the following is true ?

- (a) TU increases till MU is positive
- (b) TU is maximum when MU is equal to zero
- (c) TU declines when MU is negative
- (d) All of these

▼ [Answer](#)

Answer: (d) All of these

Question 9.

Who basically propounded the concept of Law of Equimarginal Utility ?

- (a) Marshall
- (b) Gossen
- (c) Ricardo
- (d) J. S. Mill

▼ [Answer](#)



Answer: (c) Ricardo

Question 10.

In difference curve is:

- (a) Convex to the origin
- (b) Concave to the origin
- (c) Both (a) and (b) true
- (d) All of these false

▼ [Answer](#)

Answer: (a) Convex to the origin

Question 11.

The ability of satisfying human want in a goods is called its:

- (a) Productivity
- (b) Satisfaction
- (c) Utility
- (d) Profitability

▼ [Answer](#)

Answer: (c) Utility

Question 12.

Slope of budget line or price line is:

- (a) –
- (b) –
- (c) +
- (d) +

▼ [Answer](#)

Answer: (a) –

Question 13.

Utility is related to:

- (a) Usefulness
- (b) Morality
- (c) Satisfaction of human wants
- (d) All the above

▼ [Answer](#)

Answer: (d) All the above

Question 14.

Utility can be measured by:

- (a) Money
- (b) Exchange of goods



- (c) Weight of the good
- (d) None of these

▼ [Answer](#)

Answer: (a) Money

Question 15.

Law of Equi-marginal utility is called:

- (a) Law of increasing utility
- (b) Law of diminishing utility
- (c) Law of substitution
- (d) None of these

▼ [Answer](#)

Answer: (c) Law of substitution

Question 16.

Indifference curve slopes:

- (a) From right to left
- (b) From left to right
- (c) Both (a) and (b)
- (d) None of these

▼ [Answer](#)

Answer: (b) From left to right

Question 17.

The addition of utilities obtained from all units of a goods is called :

- (a) Marginal Utility
- (b) Total Utility
- (c) Maximum Satisfaction
- (d) Additional Utility

▼ [Answer](#)

Answer: (b) Total Utility

Question 18.

Who propounded the ordinal utility theory' ?

- (a) Marshall
- (b) Pigou
- (c) Hicks and Allen
- (d) Ricardo

▼ [Answer](#)

Answer: (c) Hicks and Allen



Question 19.

The propounder of law of diminishing marginal utility is:

- (a) Gossen
- (b) Adam smith
- (c) Chapman
- (d) Hicks

▼ [Answer](#)

Answer: (a) Gossen

Question 20.

Consumer's equilibrium takes at a point where:

- (a) $MU = \text{Price}$
- (b) $MU < \text{Price}$
- (c) $MU > \text{Price}$
- (d) None of these

▼ [Answer](#)

Answer: (a) $MU = \text{Price}$

Question 21.

The capability of a commodity to satisfy human wants is:

- (a) Consumption
- (b) Utility
- (c) Quality
- (d) Taste

▼ [Answer](#)

Answer: (b) Utility

Question 22.

For the maximum satisfaction of consumer:

- (a) Marginal utility of a good should be equal to its price.
- (b) Marginal utility of a good should be greater than its price.
- (c) There is no relation between marginal utility and price.
- (d) None of these

▼ [Answer](#)

Answer: (a) Marginal utility of a good should be equal to its price.

Question 23.

When marginal utility is negative, then total utility:

- (a) is maximum
- (b) Starts decreasing
- (c) increases at decreasing rate
- (d) None of these

▼ [Answer](#)

Answer: (b) Starts decreasing

Question 24.

According to the law of equi-marginal utility, the condition for consumer's equilibrium is:

- (a)
- (b)
- (c) Both (a) and (b)
- (d) Undefined

▼ [Answer](#)

Answer: (c) Both (a) and (b)

Question 25.

According to Marshall, utility of a commodity:

- (a) Can be measured by money
- (b) Cannot be measured by money
- (c) Can be measured in cardinal numbers
- (c) Both (a) and (b)

▼ [Answer](#)

Answer: (c) Both (a) and (b)

Question 26.

Which element is essential for demand ?

- (a) Desire to consume
- (b) Availability of adequate resources
- (c) Willingness to consume
- (d) All of these

▼ [Answer](#)

Answer: (d) All of these

Question 27.

Demand Curve generally slopes:

- (a) Upward from left to right
- (b) Downward from left to right
- (c) Parallel to X-axis
- (d) Parallel to Y-axis

▼ [Answer](#)

Answer: (b) Downward from left to right

Question 28.

In which goods, price fall does not make any increase in demand ?

- (a) Necessities Goods
- (b) Comfort Goods
- (c) Luxuries Goods
- (d) None of these

▼ [Answer](#)

Answer: (a) Necessities Goods

Question 29.

Which of the following factor affects demand ?

- (a) Price
- (b) Change in income
- (c) Taste of the Consumer
- (d) All of these

▼ [Answer](#)

Answer: (d) All of these

Question 30.

Goods, which can alternatively be used, are called:

- (a) Complementary Goods
- (b) Substitutes
- (c) Comforts
- (d) None of these

▼ [Answer](#)

Answer: (b) Substitutes

Question 31.

Law of Demand is a:

- (a) Qualitative Statement
- (b) Quantitative Statement
- (c) Both (a) and (b)
- (d) None of these

▼ [Answer](#)

Answer: (a) Qualitative Statement

Question 32.

Which of the following is a demand function ?

- (a) PX
- (b) $DX = PX$
- (c) $Dx = (Px)$
- (d) None of these

▼ [Answer](#)



Answer: (c) $D_x = (P_x)$

Question 33.

When change in the price of goods-X affects the demand of goods-Y, this demand is called:

- (a) Price Demand
- (b) Income Demand
- (c) Cross Demand
- (d) All of these

▼ [Answer](#)

Answer: (d) All of these

Question 34.

For normal goods, Law of Demand states the relationship between price and quantity of goods:

- (a) Direct
- (b) Positive
- (c) Indirect
- (d) None of the above

▼ [Answer](#)

Answer: (c) Indirect

Question 35.

Which of the following is a reason for fall in demand ?

- (a) Fall in Income
- (b) Fall in Number of Buyers
- (c) Fall in Taste of Consumer
- (d) All the above

▼ [Answer](#)

Answer: (d) All the above

Question 36.

With rise in coffee price, the demand of tea:

- (a) Rises
- (b) Falls
- (c) Remains stable
- (d) None of these

▼ [Answer](#)

Answer: (a) Rises

Question 37.

Contraction in demand appears when:

- (a) Price rises and demand falls
- (b) Price rises and demand also rises



- (c) Price remains stable and demand falls
- (d) Price falls but demand remains stable

▼ [Answer](#)

Answer: (a) Price rises and demand falls

Question 38.

Which is a reason of change in demand ?

- (a) Change in consumer's income
- (b) Change in price of related goods
- (c) Population increase
- (d) All pf these

▼ [Answer](#)

Answer: (d) All pf these

Question 39.

For a change in which of the following, there is no change in demand ?

- (a) Change in price
- (b) Change in income
- (c) Change in taste and fashion
- (d) None of these

▼ [Answer](#)

Answer: (d) None of these

Question 40.

With a rise in price the demand for 'Giffin' goods:

- (a) increases
- (b) decreases
- (c) remains constant
- (d) becomes unstable

▼ [Answer](#)

Answer: (a) increases

Question 41.

Hie slope of the demand Curve of a normal goods is:

- (a) Negative
- (b) Positive
- (c) Zero
- (d) Undefined

▼ [Answer](#)

Answer: (a) Negative

Question 42.

With an increase in income consumer decreases the consumption of which goods ?

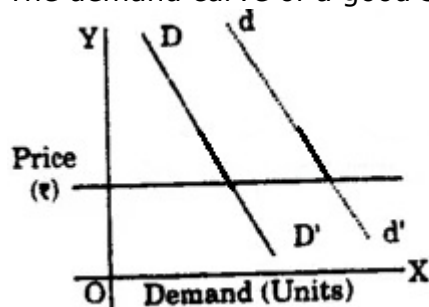
- (a) Inferior goods
- (b) Normal goods
- (c) Giffin goods
- (d) Both (a) and (b)

▼ [Answer](#)

Answer: (c) Giffin goods

Question 43.

The demand curve of a good shifts from DD' to dd



- (a) fall in the price of the goods
- (b) rise in the price of the goods
- (c) rise in the price of substitute goods
- (d) rise in the price of complementary goods

▼ [Answer](#)

Answer: (c) rise in the price of substitute goods

Question 44.

Elasticity of demand is a:

- (a) Qualitative Statement
- (b) Quantitative Statement
- (c) Both (a) and (b)
- (d) None of the above

▼ [Answer](#)

Answer: (b) Quantitative Statement

Question 45.

Which of the following is a formula for measuring the elasticity of demand ?

- (a) $\frac{\text{Proportionate Change in Demand}}{\text{Proportionate Change in Price}}$
- (b) $\frac{\text{Proportionate Change in Price}}{\text{Proportionate Change in Demand}}$
- (c) $\frac{\text{Change in Demand}}{\text{Change in Price}}$
- (d) None of these

▼ [Answer](#)

Answer: (a)

Question 46.

For Giffin goods, price elasticity of demand is :

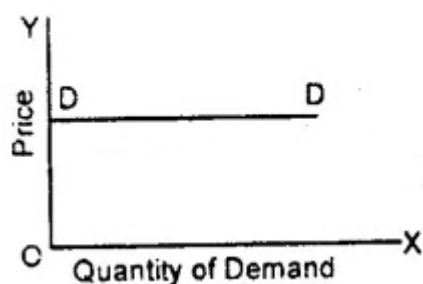
- (a) Negative
- (b) Positive
- (c) Zero
- (d) None of these

▼ [Answer](#)

Answer: (b) Positive

Question 47.

Following figure shows:



- (a) High Elastic Demand
- (b) Perfectly Elastic Demand
- (c) Perfectly Inelastic Demand
- (d) Inelastic Demand

▼ [Answer](#)

Answer: (b) Perfectly Elastic Demand

Question 48.

Which of the following shows elasticity less than one ?

- (a) Necessity Goods

- (b) Comforts
- (c) Luxuries
- (d) All of these

▼ [Answer](#)

Answer: (a) Necessity Goods

Question 49.

With which method, elasticity of demand is measured ?

- (a) Total Expenditure Method .
- (b) Percentage or Proportionate Method
- (c) Point Method
- (d) All of these

▼ [Answer](#)

Answer: (d) All of these

Question 50.

Elastic demand is shown by:

- (a) $\frac{\Delta Q}{Q} > \frac{\Delta P}{P}$ (b) $\frac{\Delta P}{P} > \frac{\Delta Q}{Q}$
- (c) $\frac{\Delta P}{P} = \frac{\Delta Q}{Q}$ (d) None of these

▼ [Answer](#)

Answer: (a)

Question 51.

What is the price elasticity in following example ?

| Price of Goods | Demand for Goods |
|----------------|------------------|
| 5 (P_1) | 10 (Q_1) |
| 4 (P_2) | 15 (Q_2) |

- (a) -2.5
- (b) + 3.5
- (c) + 4.0
- (d) None of these

▼ [Answer](#)

Answer: (a) -2.5



Question 52.

Who propounded the percentage or proportionate method of measuring elasticity of demand ?

- (a) Marshall
- (b) Flux
- (c) Hicks
- (d) None of these

▼ [Answer](#)

Answer: (b) Flux

Question 53.

Which of the following factor affects elasticity of demand ?

- (a) Nature of Goods
- (b) Price Level
- (c) Income Level
- (d) All of these

▼ [Answer](#)

Answer: (d) All of these

Question 54.

How many types elasticity of demand has ?

- (a) Three
- (b) Five
- (c) Six
- (d) Seven

▼ [Answer](#)

Answer: (b) Five

Question 55.

Elasticity of demand for necessities is :

- (a) Zero
- (b) Unlimited
- (c) Greater than unity
- (d) Less than unity

▼ [Answer](#)

Answer: (a) Zero

Question 56.

Price elasticity of demand means :

- (a) Change in demand due to change in price
- (b) Change in demand
- (c) Change in real income
- (d) Change in Price

▼ [Answer](#)

Answer: (a) Change in demand due to change in price

Question 57.

The elasticity of demand at the mid-point of a straight line demand curve:

- (a) will be zero
- (b) will be unity
- (c) will be infinity
- (d) None of these

▼ [Answer](#)

Answer: (b) will be unity

Question 58.

If the demand for a good changes by 60% due to 40% change in price, the elasticity of demand is :

- (a) 0.5
- (b) -1.5
- (c) 1
- (d) zero

▼ [Answer](#)

Answer: (b) -1.5

Question 59.

For luxury goods the demand is:

- (a) Inelastic
- (b) Elastic
- (c) Highly elastic
- (d) Perfectly Inelastic

▼ [Answer](#)

Answer: (c) Highly elastic

Question 60.

Any statement about demand for a good is considered complete only when the following is/are mentioned in:

- (a) Price of the good
- (b) Quantity of the good
- (c) Period of time
- (d) All of these

▼ [Answer](#)

Answer: (a) Price of the good



Question 61.

Consumer is in equilibrium when:

- (a) $MU_x = P_x$
- (b) $MU_x > P_x$
- (c) $MU_x < P_x$
- (d) $MU_x \div P_x$

▼ [Answer](#)

Answer: (a) $MU_x = P_x$

Question 62.

Marshall has given the law of Equimarginal utility related:

- (a) Related to goods
- (b) Related to money
- (c) In relation to both
- (d) None of these.

▼ [Answer](#)

Answer: (a) Related to goods

Question 63.

How many tremendous curves can touch the budget line:

- (a) One
- (b) Two
- (c) Several
- (d) Depends on the basis of indifference maps.

▼ [Answer](#)

Answer: (a) One

Question 64.

Indifference curves were first introduced by the English economist in 1881 by:

- (a) Edge worth
- (b) Pareto
- (c) Myers
- (d) Hicks.

▼ [Answer](#)

Answer: (a) Edge worth

Question 65.

Any statement about the demand of an object is considered complete when it is mentioned in the following:

- (a) Price of good
- (b) Demand of good

- (c) Time period
- (d) All of the above.

▼ [Answer](#)

Answer: (d) All of the above.

Question 66.

If price of goods 'X' falls leading to increase in demand of goods 'Y' then both the goods are:

- (a) Substitute goods
- (b) Complementary goods
- (c) Not related
- (d) Competitor.

▼ [Answer](#)

Answer: (b) Complementary goods

Question 67.

According to total outlay method, the demand of a good is sinelastic when:

- (a) Price will fall with the increase in amount spent
- (b) When price of good decreases and money spent decreases
- (c) Expenditure remains the same, even if price falls
- (d) Expenditure decreases with the increase in price.

▼ [Answer](#)

Answer: (b) When price of good decreases and money spent decreases

[Fill in the blanks:](#)

1. Consumer is a human being.

▼ [Answer](#)

Answer: Rational

2. If the price of substitute goods increases then the demand curve shifts to the

▼ [Answer](#)

Answer: Right

3. propounded the law of Diminishing Returns.

▼ [Answer](#)

Answer: Gossen

4. According to Marshall utility can be measured in terms of

▼ [Answer](#)

Answer: Money

5. An indifference curve gives level of satisfaction to the consumers.

▼ [Answer](#)

Answer: Equal

6. Car and Petrol are goods

▼ [Answer](#)

Answer: Substitute

7. There is relation between price and demand.

▼ [Answer](#)

Answer: inverse

[State true or false:](#)

1. Utility is an intensive assumption.

▼ [Answer](#)

Answer: True

2. The proportion of the cost of two goods measures the slope of budget line.

▼ [Answer](#)

Answer: True

3. Demand curve is generally negative sloped.

▼ [Answer](#)

Answer: False

4. Budget set is a collection of all bundles that a consumer purchases from their income at market prices.

▼ [Answer](#)

Answer: True



5. The elasticity of the demand of the object and the expenditure on the object is closely related.

▼ Answer

Answer: True

Match the following:

| 'A'' | 'B' |
|---------------------------------|--|
| 1. Inelastic | (a) Utility analysis |
| 2. Substitute goods | (b) Demand of Necessary or Essential goods |
| 3. Marshall | (c) Gossen's second law |
| 4. Indifference curve | (d) Cross demand |
| 5. Law of equi marginal utility | (e) Does not cut each ether |

▼ Answer

Answer:

| 'A'' | 'B' |
|---------------------------------|--|
| 1. Inelastic | (b) Demand of Necessary or Essential goods |
| 2. Substitute goods | (d) Cross demand |
| 3. Marshall | (a) Utility analysis |
| 4. Indifference curve | (e) Does not cut each ether |
| 5. Law of equi marginal utility | (c) Gossen's second law |