J. K. SHAH CLASSES
SYJC - ECONOMICS

QUESTION PAPER – SET 1 **Date: 18/07/2016**

Total Marks: 40 **Total time: 1 hour 30 minutes**

Solutions

Ans.1. (a) Fill in the blanks:
- **i) Increase**
- **ii) Utility**
- **iii) Negative**
- **iv) Gossen's**

(b) True or False :
- **(i) True**
- **(ii) False**
- **(iii) False**
- **(iv) True**

(c) Match the Coloum:
- **(i) Lost Unit**
- **(ii) Maximum TU**
- **(iii) Assumption of Law**
- **(iv) Wood to furniture**

Ans.2. (a) Distinguish

i) Total utility and Marginal utility

Total utility	Marginal utility
1. Meaning Total utility means the sum total by consuming one more unit of utilities derived by the consumer from all the Units of a commodity.	Marginal utility refers to the net addition Made to the total utility utility by consuming one more unit.
2. Maximum satisfaction Total utility remains maximum the time of maximum satisfaction.	Marginal utility remains zero at the time of maximum satisfaction
3. Positive / negative Though TU declines after maximum, it remains positive.	MU diminishes sharply and turns negative later.
4. Formula Symbolically. $TU∩ = MU_1 + MU_2 + ….. + MU∩$ Items – TU of (N-1) items.	Symbolically. MU of 'N' th unit=TU of 'N'

ii) Place utility and Time utility

Place utility	Time utility
1. **Meaning** When utility is added by changing changing the place of utilisation called the place utility.	When utility is added by time of utilisation, it is it is called time utilisation.
2. **When** When surplus grains like wheat utility and rice are transported to places where it is scarce, it results summer in in place utility.	Umbrella provides more during rainy seasons. Ice-cream adds more Utility during than winter.
3. **Determinant** The amount of utility is determined by the choice of place.	The amount of utility depends upon The time chosen.
4. **Example:** Transport services create place utility Mumbai - Kashmir	Where housing services create time Utility. Rainy - summer

iii) Individual demand and Market demand

Individual demand	Market demand
1. Meaning	
Individual demand refers to the demand By an individual at a given price during a Given period of time.	A market demand is the aggregate demand of a commodity demanded by all consumers in the market at a given price during a given period of time.
Schedule.	

Individual demand

Price (₹)	Qty. demanded (Units)
2	50
4	40
6	30
8	20
10	10

Price of Mangoes Per kg. (₹)	Consumer A	Consumer B	Consumer C	Schedule (A+B+C)
50	1	2	3	5
40	2	4	6	12
30	3	6	10	19
20	4	8	15	27
10	5	10	20	35

Individual demand	Market demand
2. Narrow/wider concept	
Individual demand is part of market Demand. It is a narrow concept.	Market demand includes individual demand It is a wider concept.
3. Importance	
Individual demand is not useful for Farming business policy. It has no Practical significance sales targets	Market demand is useful for sellers to frame Business policy and plan their sales targets.

(b) Give reason

(i)
1. Utility refers to the want satisfying power of a commodity
2. The concept of utility does not consider whether the commodity satisfies a good want or a bad want.
3. A commodity can have utility even if it satisfies a bad or unethical want.
4. For e.q: A gun has utility for a soldier as well as a terrorist.
5. Therefore, it is said that utility is ethically neutral.

(ii)
1. Utility refers to the want satisfying power of a commodity.
2. If the want is intense and the commodity satisfies the want, then the utility of the commodity is higher.
3. When the intensity of the want reduces, the utility of the commodity diminishes.
4. For e.g:
   i. The utility of notes is higher when exams are closer as the want for notes is intense.
   ii. The utility of the fan is high when the weather is warm outside as the want for the fan's breeze is high.
5. Thus, the utility depends on the urgency of the want.

(iii)
1. "Subjectivity" means changing from one person to another.
2. A product may give utility to one person but the same product may not give as much utility to another person.
3. The utility of a commodity differs from person to person on account of differences in tastes, preference, habits, surroundings, age, occupation etc.
4. Therefore, utility is a subjective concept.

(C) Define Following:

(i) Total Utility

Total Utility is the sum total of the utilities derived by a consumer by consuming or acquiring all possible units of a commodity at a point of time. In simple words, it is the sum of marginal utilities derived from successive consumption of units. Symbolically:

TUn = MUi + MU2 + MU3 +……… + MUn

TUn = Type equation here.MUn

Where,

TUn = Total utility derived from consumption of n units

MU = Marginal utility

There is a direct relation between a stock of a commodity and total utility.

(ii) Marginal Utility

Marginal Utility is the additional utility derived by the consumer on consumption of an additional unit of the commodity. In short, it is additional utility derived from the last unit consumed.

Symbolically:

$MUn = TUn - Tu_{n-1}$

Where,

MUn = Marginal utility of nth unit of a commodity.

TUn = Total utility derived from consumption of n united There is an inverse relation between a stock of a commodity and marginal utility.

(iii) **Individual demand** refers to the demand by an individual at a given price during a given period of time.

A market demand is the aggregate demand of a commodity demanded by all consumers in the market at a given price during a given period of time

Ans.3. Long Answer:-

The reasons for downward slopping demand curve are as follows:

1. **Multipurpose uses:** When a commodity can be used for satisfying several needs, its demand will rise with a fall in its price, and fall with a rise in its price.
2. **Income effect:** When price falls. purchasing power of a consumer rises, which enables him to buy more of that commodity whose price falls. This is income effect.
3. **New Buyers:** When the price of a commodity falls, people who did not have the ability of the consumer increases He can buy more quantity in the same given income. Hence, quantity demanded increases with a fall in price. Thus is called as income effect.
4. **The law of diminishing marginal utility:** We have seen that marginal utility goes on diminishing with increasing stock of a commodity. Therefore, a consumer tends to buy more when price falls.
5. **Substitution effect:** In case of substitute goods, when price, of a commodity rises. its substitutes become relatively cheaper. Therefore, a consumer will purchase more of that commodity.