

Question 02

PT = \$1, PC = \$2, I = \$7 per week.

a. Fill up gaps for marginal utilities and marginal utility per additional dollar for Toffee bars and Cashews in the above table.

Units	Toffee Bars			Cashew Bags		
	TUT	MUT	MUT/PT	TUC	MUC	MUC/PC
1	10	10	10	10	10	5
2	18	8	8	22	12	6
3	23	5	5	29	7	3,5
4	26	3	3	34	5	2,5
5	27	1	1	36	2	1
6	27	0	0	37	1	0,5
7	27	0	0	37	0	0

b. To maximize utility the consumer should purchase such combination of products, for which  $MUT/PT = MUC/PC$ , which is apply to 3 units of toffee bars and 1 unit of cashew bags or 5 units of toffee bars and 5 units of cashew bags, but only first combination is possible for consumer according to his income of \$7. So, 3 toffee bars and 1 cashew bag should be purchased.

c. Draw total and Marginal utility curves for both the products.

