

Soham. Model

12th.

Eco Paper
Ch. 2

5/10

1) Utility is the capacity of commodity to satisfy human wants.

2) The sum of all the utility derived from all the units of commodity consumed is

3) Utility is ethically neutral.

4) Utility changes from time to time & place to place which means Relative concept.

Q2. Types of utility

1) Form utility:
when utility increases due to change in shape of existing material it is called form utility.

2) Place utility:
when utility increases due to change in the place of utilization from the transport of goods from the place of products.

3) Time utility:
when utility of commodity

increases with change in the time of utilisation is called time utility.

3) Service utility: Utility arises when personal services are rendered by various professionals in the society.

4) Knowledge utility: It increases when consumer acquires knowledge about a particular product.

5) Possession utility: It arises when the ownership of goods is transferred from one to another person.

Ex. 1) A farmer selling rice stored in the warehouse at the end of the season.
2) A retail trader purchasing 10 chairs from a wholesaler.

Q3. Usefulness of DMU.

1) To the consumer: This law DMU guides the consumer in planning the budget to get max satisfaction.

2) To the Monopolist Producer: This law is imp. to the Monopolist to determine the price.

3) To the Producer:
This law is imp. to the Producer in Determining Price & Sales Policy to max. the Profits.

4) To the Government:
useful to Government to frame Policies, Social Justice, etc.

5) To the Finance Minister:
The law is useful to the Minister Finance to frame economic Policies Planning Budget.

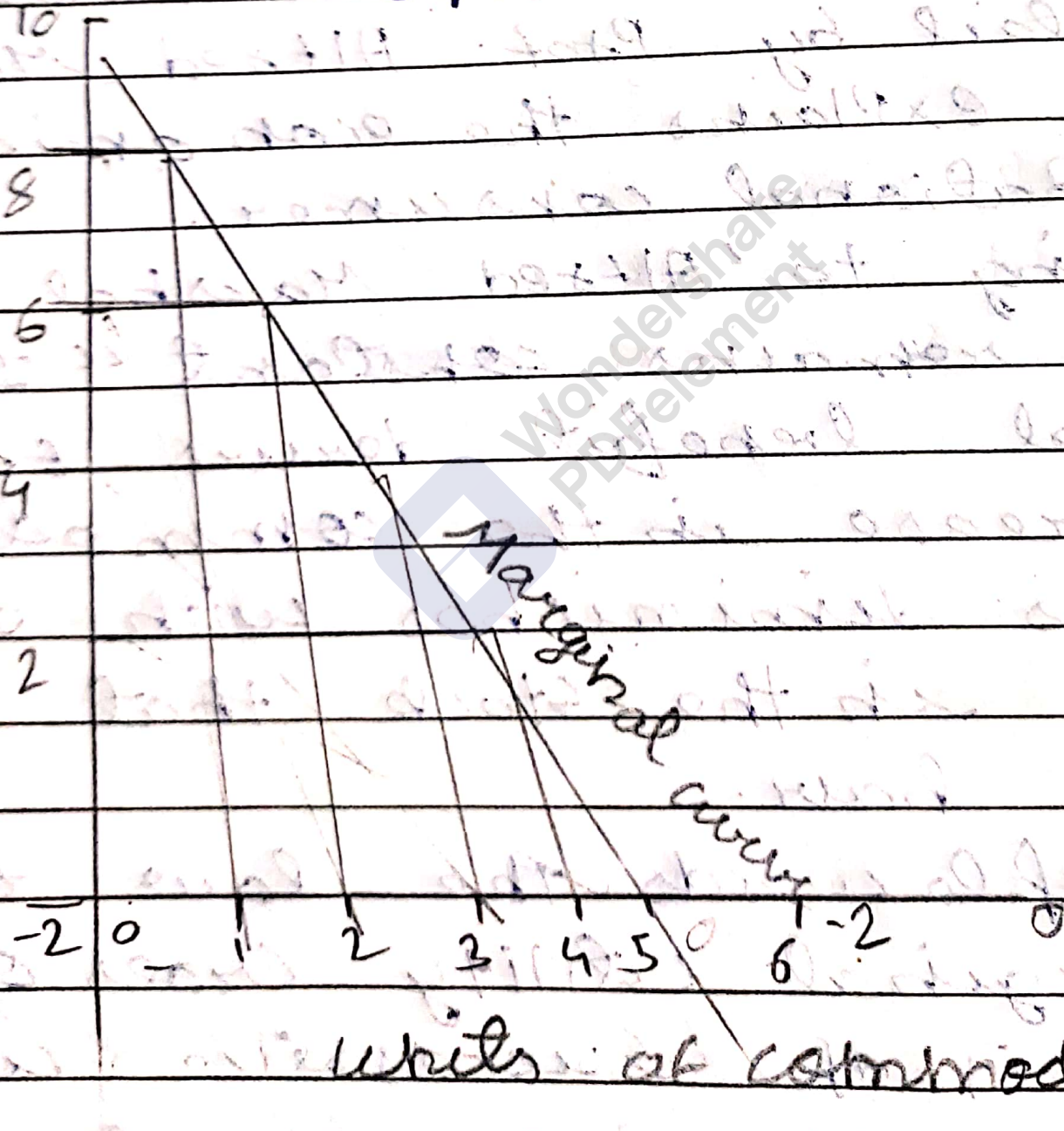
6) To understand Paradox of value:
The law helps to explain Paradox of value that is value in use & exchange.

Q4. Features:

1) Relative concept:
utility differs from time to time & Place to Place.

2) Subjective concept:
utility is also Different from Person to Person as every has its own choice.

3) Ethically neutral:
The concept of utility is ethically neutral.

Page No. Date Graph

4) Utility & usefulness are not same.
Utility is the want satisfying power of commodity.

5) Not easily measurable.
Utility is not easily measurable it means utility differs from person to person.

6) Utility depends upon intensity of want.
The more urgent is the want the greater is the utility.

Q5. Explanation of the law.
X - indicates units of commodity
Y - marginal utility.

Marginal utility curves slopes downward from left to right.
It shows that marginal utility goes on diminishing with every unit of commodity consumed.

Assumption to the law

1) Homogeneity - the law assumes that utility of a commodity consumed by the consumer are uniform

2) Single use. Not satisfied multiple

wants like electricity.

3) Cardinal measurement: Utility should be measured cardinal then it's easy to understand later.

4) Rationality: A consumer is assumed to be a rational person.

5) Continuity: The units of commodity consumed should be quick succession that is one after another.

