

Unit 2: Consumer Behaviour & Decision-Making

Practice Activities

Name: _____ Date: _____ Class: _____

This workbook contains practice activities for all topics in Unit 2. Work through each section carefully. Show all your calculations. Check the Answer Key on the last page when you are done.

PART 1: Utility Theory — What Is Satisfaction Worth?

Activity 1A: Key Terms — Match the Definition

Draw a line or write the letter to match each term (left) to its correct definition (right).

COLUMN A: Terms	COLUMN B: Definitions
1. Utility	A. A unit used to measure satisfaction
2. Total Utility (TU)	B. The dissatisfaction or negative feeling from consuming one more unit
3. Marginal Utility (MU)	C. The extra satisfaction gained from consuming one more unit of a good
4. Utils	D. A consumer who uses all available information to make decisions that maximise satisfaction
5. Disutility	E. The total satisfaction received from consuming all units of a good
6. Rational Consumer	F. The satisfaction or pleasure a consumer gets from consuming a good or service

Activity 1B: Calculate Total Utility and Marginal Utility

Li Wei is buying cups of bubble tea at HEYTEA. The table below shows her Total Utility. Calculate the Marginal Utility for each cup. Use the formula: $MU = \text{Change in } TU \div \text{Change in Quantity}$.

Cups of Bubble Tea (Q)	Total Utility (TU)	Marginal Utility (MU)	How does it feel?
0	0	—	Nothing yet
1	60	_____	Amazing!
2	110	_____	Really good
3	150	_____	Good
4	180	_____	Okay
5	200	_____	Getting full...
6	205	_____	Almost too much
7	200	_____	Too full
8	190	_____	Uncomfortable

Answer these questions based on your completed table:

- a) At which quantity (Q) does Total Utility reach its highest point?

- b) At which cup does Marginal Utility first become negative?

- c) What happens to Total Utility when Marginal Utility is negative? Why?

- d) Li Wei's friend says: "She should drink all 8 cups because TU only goes up." Is her friend correct? Explain.

Activity 1C: True or False? — Correct the False Statements

Write TRUE or FALSE. If the statement is FALSE, rewrite it so it is correct.

1. A rational consumer always spends all their money.

True / False: _____

Correction (if false):

2. Utility can be measured in units called "utils."

True / False: _____

Correction (if false):

3. Marginal Utility is the total satisfaction from consuming all units of a good.

True / False: _____

Correction (if false):

4. A consumer will stop buying a good when $MU = 0$, because they cannot gain any more satisfaction.

True / False: _____

Correction (if false):

5. Disutility means the consumer feels positive satisfaction from a good.

True / False: _____

Correction (if false):

PART 2: The Law of Diminishing Marginal Utility

Activity 2A: Scenario — Eating Hotpot

Mei Ling goes to a hotpot restaurant with friends. She eats portions of beef. The table shows her Marginal Utility. Read the data carefully and answer the questions below.

Portions of Beef	Marginal Utility (MU)	Total Utility (TU) — Calculate!
1	90	
2	70	
3	50	
4	30	
5	10	
6	-10	

e) Does this table demonstrate the Law of Diminishing Marginal Utility? Explain how you know.

f) Calculate Total Utility for each portion and fill in the table above.

g) Should Mei Ling eat the 6th portion of beef? Why or why not?

h) Between which two portions does Marginal Utility fall the most? Show your calculation.

i) At which portion is Mei Ling's satisfaction at its highest (maximum TU)?

Activity 2B: Multiple Choice — Circle the Best Answer

Choose ONE best answer for each question.

- According to the Law of Diminishing Marginal Utility, as a consumer eats more slices of pizza:
 - Total Utility always falls
 - Marginal Utility falls but stays positive
 - Each additional slice provides less extra satisfaction than the one before
 - Total Utility and Marginal Utility both increase
- A student plays a mobile game for 4 hours. Which is MOST likely true?
 - Marginal Utility is higher in hour 4 than hour 1
 - Total Utility falls in hour 1
 - Marginal Utility is highest in hour 1 and falls each hour
 - Total Utility equals zero after 4 hours

3. When a consumer's Marginal Utility equals zero, this means:
- A. They are at maximum Total Utility — they cannot gain more satisfaction
 - B. They hate the product
 - C. Total Utility is also zero
 - D. They should consume one more unit
4. A consumer feels sick after eating a 7th piece of cake. This best illustrates:
- A. Maximum Total Utility
 - B. Marginal Utility = 0
 - C. Disutility — Marginal Utility has become negative
 - D. The rational consumer principle

PART 3: Consumer Choice — Maximising Satisfaction on a Budget

Activity 3A: Budget Allocation

Wang Fang has ¥60 to spend. She can buy bubble tea (¥15 each) or snacks (¥10 each). The table shows the Marginal Utility she gets from each. Help her decide how to spend her money to get MAXIMUM total satisfaction.

★ **Tip:** A rational consumer compares MU per yuan (¥) spent: $MU \div \text{Price}$. Always buy the next unit of whichever good gives the most satisfaction per yuan.

Step 1: Fill in the MU per ¥ column for each good.

Units	Bubble Tea MU	Bubble Tea MU per ¥15	Snack MU	Snack MU per ¥10
1st	75		60	
2nd	60		50	
3rd	45		40	
4th	30		20	

Step 2: Use your MU-per-¥ values to decide the order in which Wang Fang should buy. Record her purchases below:

Purchase Order	Buy What?	Cost (¥)	Running Total Spent (¥)	MU Gained
1st purchase				
2nd purchase				
3rd purchase				
4th purchase				
5th purchase				

Step 3: Answer the questions.

j) What is the optimal combination of bubble teas and snacks that Wang Fang should buy?

k) What is her Total Utility from this combination? (Add up all MU values gained.)

l) Is there any money left over? If yes, how much? What would a rational consumer do?

PART 4: Consumer Surplus — The "Good Deal" Benefit

Key Formula: $\text{Consumer Surplus} = \text{Willingness to Pay} - \text{Actual Price}$

Activity 4A: Calculate Consumer Surplus

Calculate the consumer surplus in each scenario. Show your working.

1. Zhang Ming is willing to pay ¥80 for a hotpot meal. The restaurant charges ¥65.

Calculation:

Working: _____

Zhang Ming's Consumer Surplus:

2. A phone case on Taobao costs ¥25. Chen Li was willing to pay ¥40 for it.

Calculation:

Working: _____

Chen Li's Consumer Surplus:

3. Tickets for a popular singer's concert are priced at ¥300. Xiao Yu was willing to pay ¥450.

Calculation:

Working: _____

Xiao Yu's Consumer Surplus:

4. The table below shows what four students are willing to pay for a school trip ticket. The actual price is ¥150. Calculate each student's consumer surplus.

Student	Willing to Pay	Actual Price	Consumer Surplus
A (Jing)	¥220	¥150	
B (Wei)	¥180	¥150	
C (Hua)	¥155	¥150	
D (Mei)	¥130	¥150	

m) Which student will NOT buy a ticket? Why?

n) What is the TOTAL consumer surplus for the students who do buy tickets?

Activity 4B: Real-Life Application

Think about your own daily life in China. Answer the questions below in full sentences.

1. Give one example of a time when YOU experienced consumer surplus. What did you buy? What were you willing to pay, and what was the actual price?

2. Many popular apps in China (like Meituan or Pinduoduo) offer discount coupons. How do these coupons affect consumer surplus? Use the formula to explain.
