Question 4 (Answer: **A**)

- Utility is maximised where the marginal utility per dollar is equal across both goods.
- So a change in the price of either good, or in income, upsets that equality.
- The consumer then rebalances until the ratios are equal again.

Question 5 (Answer: **C**)

- Utility is maximised where marginal utility per dollar is equal for both goods.
- So divide each marginal utility by that good's price before comparing.
- Good X costs twice as much, so its marginal utility must be twice as high to be worth buying.