Hatichong College, Gauhati University, Assam, India Pin-782142

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QUADRANT II
TEACHER'S PRESENTATION &
FLIPPED CLASSROOM VIDEO

Tek:2.0 as e- Content in Four Quardents OER
Conceptualised and designed by Bubu Sensowa

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Topic : Utility Analysis
Sub –Topic: Indifference Curve Analysis

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What is Indifference Curve?

Indifference curve refers the Graphical presentation of various alternative combinations of bundles of two goods among which the consumer is indifferent

Assumptions of Indiffrence Curve Analysis

Rational Consumer	• The consumer is assumed to be rational
Two Goods	• Consumer spend his entire income on two goods.
Ordinal measurement of utility	• Ordinal measurement of utility can be possible.

Diminishing MRS	- MRS of one commodity for the other decreases as consumer purses more and more units of the former
Consistency	- Consumer is consistent in his choice. - If A>B, then B<A
Transitivity	- Consumers preferences are transitive. - If A>B and B>C, then A>C

PROPERTIES OF INDIFFERENCE CURVE

The slope of the **curve is negative, downward sloping** and from left to right. To be indifferent to all the combinations on an indifference curve consumer must leave less units of goods Y in order to have more of good X

A higher indifference curve to the right of another represents a higher level of satisfaction and preferable combination of the two goods.

In between two indifference curves there can be a number of other indifference curves, one for every point in the space on the diagram.

The indifference Curve can neither touch nor intersect each others.

Indifference curves are convex to the point of origin. It means that as the amount X is increased by equal amounts that of Y diminishes by smaller amounts.

Indifference curves are not necessarily parallel to each other.

An indifference curve cannot touch either axis.