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Price elasticity of demand worksheet 1

1. Use the graph below for the question as follows. Assume that the current price is \$70. The seller wants to increase their income and has decided to increase the price to \$80. Is this a good idea? 2. Based on the determinants of elasticity as discussed in the text, guess what price elasticity of the demand of the following products would be (elastic or inelastic?) and the condition that determinant supports your guess. (a) ballpoint pens (b) Crest toothpaste (c) diamond rings (d) sugar (e) refrigerator. 3. Use the information in the table below to identify the type of cross-elasticity relationship between products X and Y, and whether the demand is cross-elastic or cross inelastic in each of the following five cases, A to E.

Percentage change in amount of X	Percentage change in amount of Y	Cross elasticity
A 9	12	or device elastic
B -6	6	
C 3	3	
D 6	3	
E -2	10	

Your sample number: Your linear demand curve passes through point a and also through point: P = Q = 1. Draw the demand curve 2. Assume that the marginal cost of producing cigars rises by exactly \$4 per unit. Carefully draw the new supply curve in the chart and mark the new equilibrium price and quantity. 3. Use the chart to compare the total expenses (TE=P×Q) for consumers before and after the price change. Shade in TE as follows: // = TE before the price change \\\ = TE after the price change 4. Use the information from the chart to answer each of the following questions, and make sure everyone in the group agrees with the answers: (1) Does the equilibrium rise cigars (1), (2) fall, or (3) remain the same? (2) Does the equilibrium price of cigars (1) rise by more than \$4, (2) rise by exactly \$4, (3) rise by less than \$4, (4) remains the same as before, or (5) falls? (3) Do the total expenditure of cigars (P × Q) of consumers (1) rise, (2) fall, or (3) remain the same? To continue to enjoy our site, we ask that you verify your identity as a human being. Thank you very much for your cooperation. Collaboration.