

SYLLABUS REFERENCE 1.2 (Interactive Worksheet)
Price Elasticity of Demand: Some Problems

Webnote 256

Task 1

- Study table 1 carefully and calculate the PeD for all price rises e.g. 0 to 1 and 1 to 2 etc? Put your results into the column **Ped** on Table 1.
 - (B) Then using your results + the schedule in table 1 do questions 1-12.
- Answers are available under Box 1.

- Draw the demand curve for the schedule in table 1
- In table 1 is the demand elastic, unitary elastic, inelastic?
- In table 1 calculate the ped when price change from 5 to 6
- If ped is - 5 what does this mean if price rises by 5%
- If ped = 0 what will the producer probably do with price
- In table 1 calculate the ped when price change from 6 to 5
- Study your answer to Q6- what does it tell you about the market?
- Why is PeD negative
- Which stakeholders are affected by elasticity?
- Does PeD for Coffee retailers promote collusion in Duesseldorf?
- Read the story in webnote 127 and explain why prices not shown.
- Why does TR increase when price rises as PeD is < 1

Note 1:
you cannot divide by 0 = infinity
5/0 = infinity

Note 2: But...

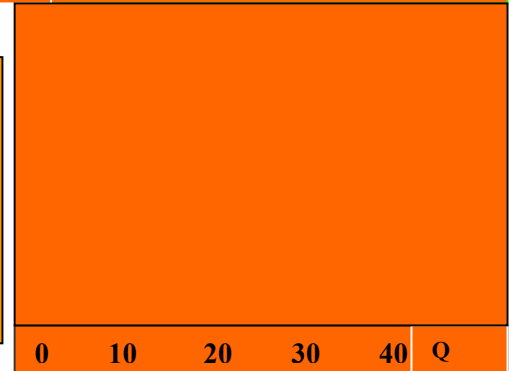
0/5=0

Box 1
Reduce to see answers

Table 1: Demand schedule for good X

PeD	Price	Qd	Total revenue (pxQ)
(7 to 8)	8	0	
(6 to 7)	7	5	
(5 to 6)	6	10	
(4 to 5)	5	15	
(3 to 4)	4	20	
(2 to 3)	3	25	
(1 to 2)	2	30	
(0 to 1)	1	35	
	0	40	

Price Fig 1: Box 2



Task 2

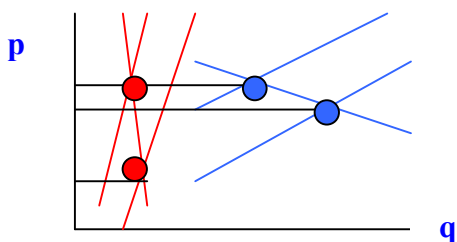
- draw the demand for x.
- Now Calculate the ped at every price **fall**. For answers Reduce box 4
- What type of good is good X likely to be?

Task 3

SL paper 1 2007-Nov

1a Using supply and demand analysis, explain why the price of agricultural goods tends to fluctuate more than the price of manufactured goods. 10/25 marks.

Which diagram below shows agriculture?



Answers Task 3

Answers to Task 3