Topic 13.11.2025

(1)

1- (d) very inelastic 2- (c) inelastic

3- (b) increases the price elasticty of demand

4- (d) increase

(2)

Problem 1: Furniture Elasticity - Solution:

1- Effect on Quantity Sold

Since $E_d = \frac{\%\Delta Q_d}{\%\Delta P}$, we can calculate the change in quantity sold ($\%\Delta Q_d$):

$\%\Delta Q_d = E_d \times \%\Delta P$ $\%\Delta Q_d = (-3) \times (-10\%)$

$\%\Delta Q_d = +30\%$

The quantity you sell will increase by 30 %

2- Effect on total Revenue

Demand is elastic because the absolute value of elasticily $|-3|$ is greater than 1

When demand is elastic a decrease in price leads to proportionally larger increase in quantity deman, causing total revenue to rise.

Total revenue will increase as a result of the 10% price cut

Problem 2: Brussels Sprouts Consumption

Solution :-

1- The price must fall by 30 % to achieve the 15% increase in consumption

2- Total consumer expenditure will decrease, because when demand is inelastic ($|-0.5| < 1$), a percentage decrease in price leade to a smaller percentage increase in quantity sold.