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1-b 2-C 3-6 4-d

1st Problem:

Price elasticity of demand = -3

A 10 % Price cut → quantity sold increases by

10% x 3 = 30 %

since demand is elastic ($|E_d| > 1$), a Price decrease raises total revenue.

Answer: Quantity increases 30% ; total revenue increases.

2nd Problem:

Price elasticity of demand = -0.5 (inelastic).

to increase consumption by 15% price must full by:

$$\% \Delta Q = E_d \times \% \Delta P$$

$15 = (-0.5) \times (\% \Delta P) \Longrightarrow \% \Delta P = -30\%$

Price must fall 30%.

since demand is inelastic a price cut reduces total expenditure.

Answer: Price must fall 30% total consumer expenditure decreases.