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1. b

2. c

3. b

4. d

problem 1: Furniture elasticity problem:

price elasticity of demand (Ed) = -3

price change = -10% (a 10% price decrease)

Effect on quantity demanded:

Formula:

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

$\%\Delta Q = (-3) \times (-10\%) = 30\%$

unset; "> Quantity demanded will increase by 30%

Effect on total rerenue:

when demand is elastic: price ↓ ⇒ total revenue ↑

so ⇒ Total revenue will increase

problem 2: Brussels sprouts elasticity problem

Given => Ed = -0.5 Gov't wants quantity to increase by 15% required price change:

Formula: $\%\Delta Q = Ed \times \%\Delta P$

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

$\%\Delta P = 15\% \times -0/.5 \Rightarrow -30\%$

so price must fall by 30%