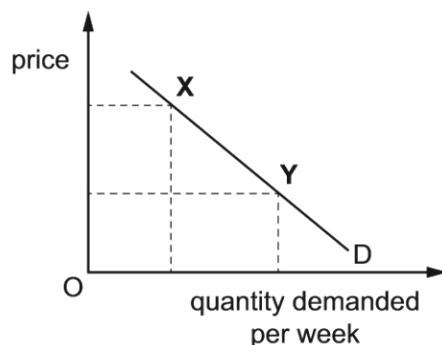


PRICE ELASTICITY OF DEMAND

The diagram shows the demand for chocolate.



What could cause the movement from point X to point Y?

- A** a change in tastes
- B** a fall in the price of chocolate
- C** an increase in income
- D** a successful advertising campaign for chocolate

B

The table shows four people's demand for t-shirts at two prices.

price of t-shirt \$	demand for t-shirts (units)			
	Elsa	George	Hamid	Shara
10	4	6	3	5
15	2	3	1	4

Who has the most elastic demand for t-shirts when the price rises from \$10 to \$15?

- A** Elsa
- B** George
- C** Hamid
- D** Shara

C

A company decided to reduce the price of its product by 10%.

What would happen?

- A** The firm's costs would decrease if the elasticity of demand was greater than one.
- B** The firm's profits would increase if the elasticity of demand was greater than one.
- C** The firm's revenue would increase if the elasticity of demand was greater than one.
- D** The quantity sold would decrease if the elasticity of demand was less than one.

C

The table illustrates the demand and supply for coffee in a market in Africa.

price per kg (\$)	quantity demanded (kg)	quantity supplied (kg)
10	50	10
20	40	20
30	30	30
40	20	40
50	10	50

When the price rises from \$20 to \$30 per kg, what is the price elasticity of demand for coffee?

- A** 0.2 **B** 0.5 **C** 2.0 **D** 5.0

B

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