

A decorative graphic consisting of a grid of circles. The top two rows each contain five yellow circles. The third row contains four yellow circles. The bottom row contains one blue circle on the right side.

Price elasticity of demand

Microeconomics - year10

Agenda

Drive growth of monthly sales volume of purchases

- Multiple choice
- Essay

Be the most desirable brand



Recap

IGCSE Economics Exam Crash Course by Knockout.Economics

Chapter11 : Price elasticity of demand (PED)

Part1-Multiple choice

1.What is the most likely cause of a product having PED less than one but more than zero

A The product has a high no. of substitute good

B The product is a habit-forming good

C It is luxury product

D The product requires large proportion of consumer income

Part1-Multiple choice

2. The price elasticity demand (PED) for coffee is - 0.5. What will happen to the quantity for coffee if its price increases by 10%

A decrease by 0.5%

B decrease by 5%

C increase by 0.5%

D increase by 5%

Part1-Multiple choice

3. What is the price elasticity of demand of good as price increases from \$5 to \$10?

- A. -0.5
- B. +0.5
- C. -1
- D. -2

Price (\$)	Quantity demanded
5	20
10	10

Part1-Multiple choice

4. When the price of shirts rises from ₦80 to ₦100, the demand for shirts falls from 100 to 50. What is the value of the price elasticity of demand for shirts?

A unitary

B greater than 1

C less than 1

D zero

Part1-Multiple choice

5. A firm is thinking about doubling the price of its product. Which price elasticity of demand (PED) for its product would lead to the largest increase in revenue?

A. infinity

B. -0.5

C. -1.0

D. -2.0

Part2- Essay

1. Analyse how a clothing shop can use information about price elasticity of demand for its service. [6]
2. Analyse the reasons why the price elasticity of demand for one brand of luxury coffee is likely to be different from that of salt.[6]

Part2- Essay (continue.)

2. Analyse the reasons why the price elasticity of demand for one brand of luxury coffee is likely to be different from that of salt.[6]

The End

