Questions Microeconomics (with answers)

2a Elasticities

01 Price elasticity of demand 1
If the price rises by 3 %, the quantity demanded falls by 1.5 %. Calculate the price elasticity of demand.

02 Price elasticity of demand 2
If the price falls from 6 to 4, the quantity demanded rises from 8000 to 12000.
① Calculate the price elasticity of demand by using midpoints.
② What happens to turnover (Price * Quantity) due to the price change?

03 Price elasticity of demand 3
In a cinema many seats remain empty. The manager examines the following alternatives:
① Decrease in prices 12 % → Increase in entries 15 %
② Increase in prices 10 % → Decrease in entries 12 %

Which alternative is chosen if the manager intends to maximize turnover?
Hint: Calculate the percentage change in turnover to be able to choose the alternative.

04 Price elasticity of demand 4
Characterize the price elasticity of demand if we move along the demand curve from A to B and finally to C.
05 **Price elasticity of demand 5**

Determine the price elasticity of demand in the special cases ① to ③:

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity</th>
<th>Demand</th>
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<tbody>
<tr>
<td>1</td>
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06 **Price elasticity of demand 6**

How can the price elasticity of demand be measured at point X?

07 **Income elasticity of demand 1**

Which type of goods can be observed assuming the following income elasticities of demand?

① Good X: + 0.5
② Good Y: + 2.6
③ Good Z: - 0.4

08 **Income elasticity of demand 2**

The income elasticities of demand of two goods, A and B, are as follows:

① Good A: + 3.0
② Good B: - 0.2

Now income rises by 5%. By how much quantities demanded of A and B will change?
09 Cross-price elasticity of demand

How can the cross-price elasticity of demand be used to identify the relationship between two goods, C and D?

10 Elasticities and types of good

Characterize the good by taking the following elasticities into account:

1. Price elasticity of demand: 0.5
2. Income elasticity of demand: -0.2
3. Cross-price elasticity of demand: -0.3

11 Elasticities and tax incidence

A new sales tax (for example $1 per piece) is introduced.

1. Who bears the tax in the cases 1, 2 and 3?
2. Describe the relationship between price elasticity of demand and tax incidence.

12 Elasticity and turnover

What happens to turnover (Price * Quantity) if there is a bumper crop of grain?

To 2b Elasticities (Multiple Choice): www.economics/downloads/Elasticities.htm

→ Answers. Click here!