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**

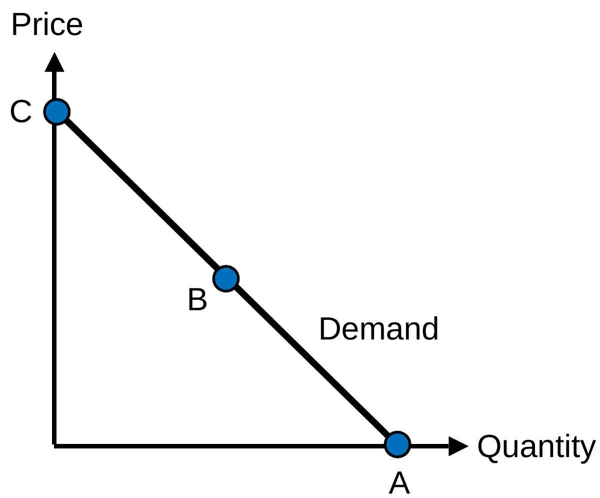
In a cinema many seats remain empty. The manager examines the following alternatives:

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.

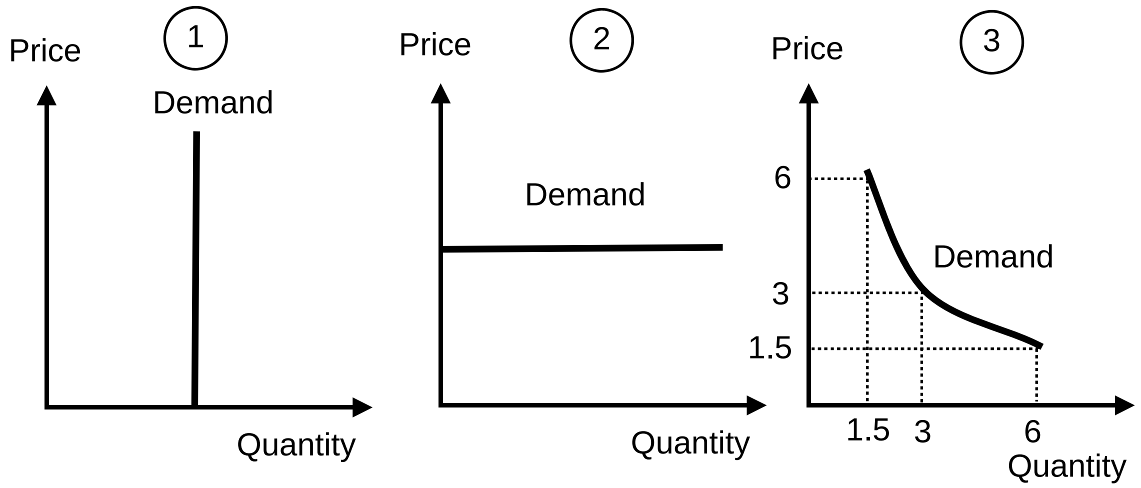
04 **Price elasticity of demand 4**

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:



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

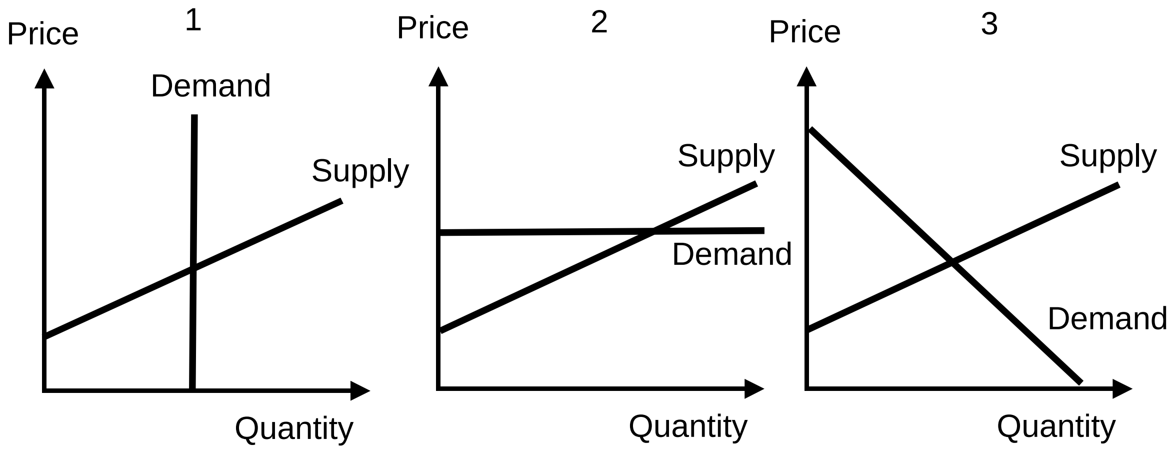
Characterize the good by taking the following elasticities into account:

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

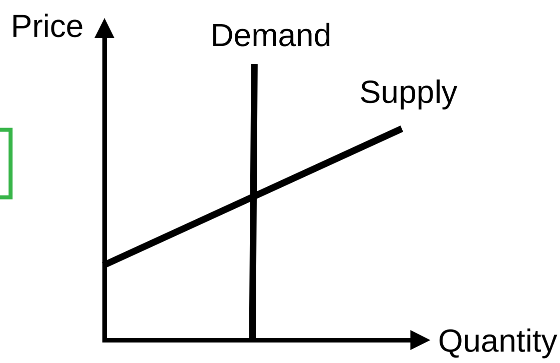
A new sales tax (for example $ 1 per piece) is introduced.

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

Market for grain



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!