

Mikro question essay

[Entertainment](#), [Movie](#)



ECONOMICS: ELASTICITY ASSIGNMENT ANSWER IN THE SPACE PROVIDED 1.

Calculate the price elasticity of demand (PED) for CD's if an increase in the price of CD's from 15 euro to 18 euro causes the quantity demand to fall from 1000 to 900 units. 2.

According to your calculation above, do CD's have elastic, inelastic or unit elastic demand? Explain your answer. 3. Explain the significance of the coefficient of the PED calculated in question 1.

What exactly does it tell you? 4. If a 7% decrease in the price of peanut butter causes total revenue to increase, what do you know about the demand for peanut butter? 5. Which of the following two goods would you expect to have more ELASTIC demand: A Philips television OR the DVD of The Matrix? Explain your answer. 6. A decrease in membership fees to join a fitness center will result in a decrease in the fitness center's total revenue if the PED for memberships is: a. less than 0 b. greater than 0 but less than 1 c. equal to 1 d.

greater than 1 Circle the correct answer above and then explain your choice.

7. If the price elasticity of demand for milk is - ? and the price of milk falls by 20%, will the quantity demanded increase or decrease? By how much? 8.

Calculate the income elasticity of demand (YED) for going to the movies given that an increase in income from 1875 euro to 2000 euro a month causes demand for going to the movies to increase from 4 movies a month to 6 movies a month.

9. Would going to the movies be considered a normal good or an inferior good? Would it be considered a necessity or a luxury? Briefly explain both

answers. 10. If an 8% increase in income causes a 4% decrease in the consumption of chocolate bars, what can you say about the YED for chocolate bars. 11. The cross price elasticity of demand for pencils and pens is probably: a. negative with a high co-efficient. b.

negative with a low co-efficient. c. positive with a high co-efficient. d. positive with a low co-efficient. Circle the correct answer and explain your choice.

12. If the price of French fries increase from 2. 50 euro to 3.

00 euro and we see that the demand for mayonnaise decreases from 4 units a month to 2 units a month. What do we know about these two goods. Justify your answer. 13.

If the price elasticity of supply (PES) for graphic display calculators is elastic what do you know about the relationship between % Δp and % ΔQ_s ? 14. If a 16% increase in price brings about a 4% increase in Q_s , calculate the PES.

15. Explain in what way the following statement is FALSE. An inferior good will have a negative cross-price elasticity of demand. " 16.

Which of the following situations will be more supply inelastic? Explain your choice. A) " The price of airline travel increased by 15% during July and August. " OR B) " The price of airline travel increases as the price of oil rises due to permanent shortages. " 17. If the price of economics books rises from 50 euro to 55 euro and the quantity supplied increases from 1000 to 1200 per day, what exactly does the co-efficient of PES tell you?