

1. The following table displays the information related to the market of the soft drink "Velocity" and average income of its consumers -

Demand Function	Supply Function	Income (in BDT)
$P = 75 - 5Q$	$P = 35 + 5Q$	30,000
$P = 65 - 5Q$	$P = 35 + 5Q$	40,000

- a) At income level of 30,000 BDT, what is the price elasticity of demand if the market (equilibrium) price increases by 10%? Comment on the price elasticity of the product.
- b) Comment on the nature of the product "velocity" and type of elasticity based on the effect of income on demand from the above mentioned information [Assume the price level equal to the equilibrium price found in (a)].
- c) Based on the price elasticity of demand obtained in (a) would you recommend the company to increase their price. Justify your answer.
- d) How does the time factor usually affects the supply elasticity of any normal goods?
2. Ketchup is a complement (as well as a condiment) for hot dogs. If the price of hot dogs rises, what happens to the market for ketchup? For tomatoes? For tomato juice? For orange juice?

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