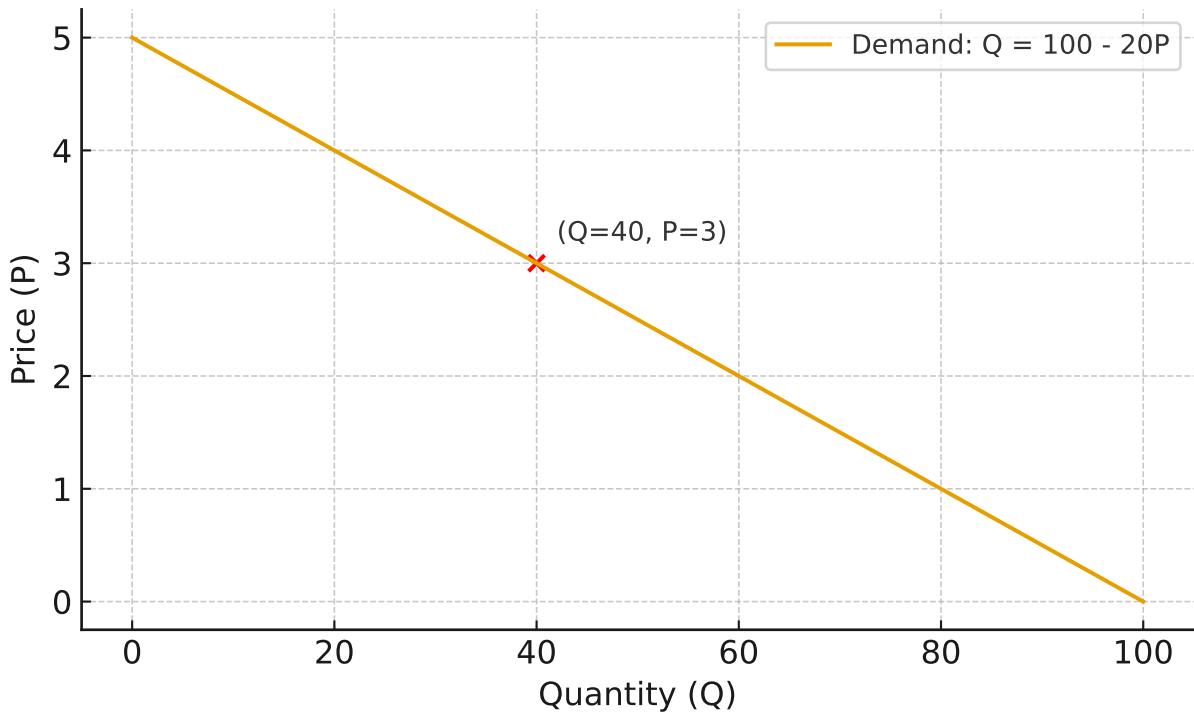


Q9: Elasticity at  $Q=40$  for  $Q=100-20P$   
 $E = -1.5$  (Elastic)



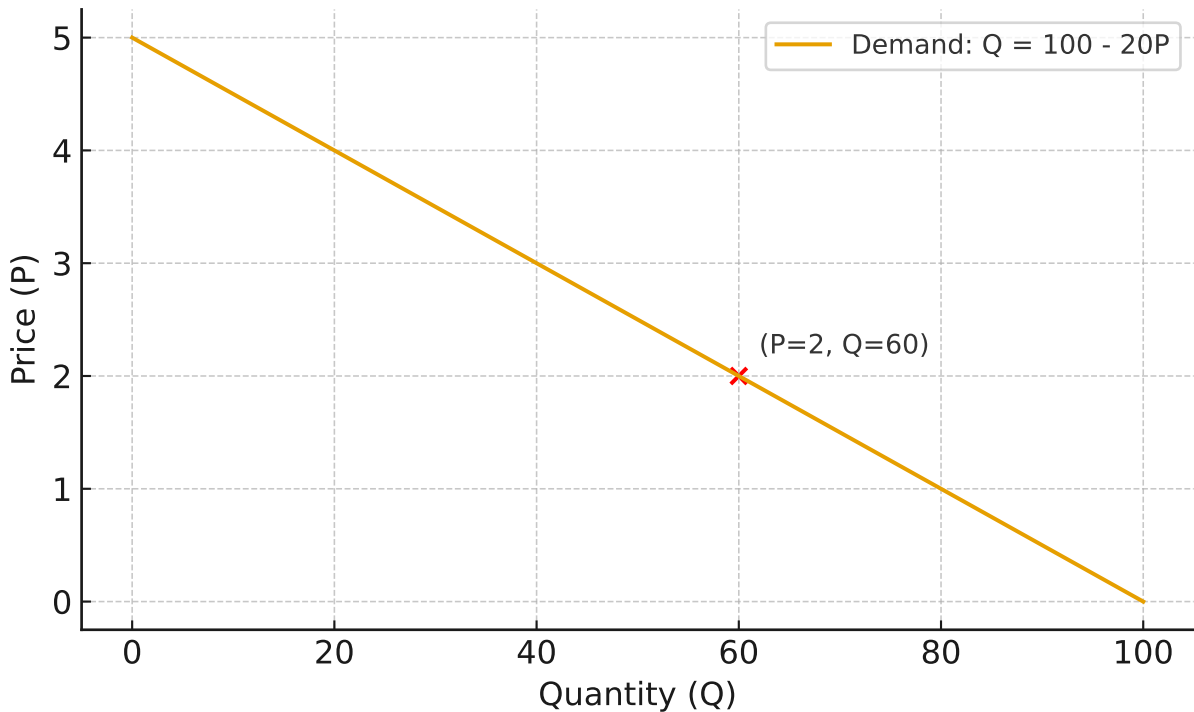
## Q10: Revenue Effect (Elastic Region)

Since  $|E| > 1$  at  $Q=40$ , demand is elastic.

Small  $\downarrow$  in price  $\Rightarrow \% \Delta Q > | \% \Delta P | \Rightarrow$  Revenue ( $P \times Q$ ) rises.

Interpretation: Elastic region  $\rightarrow$  price cuts raise revenue.

Q11: Elasticity at  $P=2$  for  $Q=100-20P$   
 $E = -0.67$  (Inelastic)



## Q12: Revenue Effect (Inelastic Region)

Since  $|E| < 1$  at  $P=2$ , demand is inelastic.

Small  $\uparrow$  in price  $\Rightarrow |\% \Delta Q| < \% \Delta P \Rightarrow$  Revenue ( $P \times Q$ ) rises.

Interpretation: Inelastic region  $\rightarrow$  higher prices raise revenue.