

East West University  
Department of Economics  
Spring 2024  
ECO 101 (Principles of Microeconomics)  
**Assignment 3**

**Submission deadline: March 21, 2024 at 9:45 am**

Answer all the questions below on paper and bring your answers to class on March 21, 2024.

1. Suppose income has increased from BDT. 20000 to BDT. 30000 and the quantity demanded of X has decreased from 100 to 80. Find the income elasticity of demand of X and interpret your answer. State whether X is a normal good or an inferior good.
2. Suppose price of A has increased from BDT. 200 to BDT. 250 and the quantity demanded of B has decreased from 10 to 8. Find the cross-price elasticity of demand between A and B and interpret your answer. State whether A and B are substitutes or complementary goods.
3. Suppose price of Z has increased from BDT. 20000 to BDT. 30000 and the quantity demanded of Z has increased from 100 to 120. Find the price elasticity of demand of Z and interpret your answer.
4. Suppose there are 3 products A, B and C and their price elasticities of demands are -2, -1 and -0.5. In one diagram, draw demand curves of A, B and C. Explain the differences among the demand curves.
5. Suppose PRAN rice has an elastic demand curve. What should the seller of PRAN rice do to price to increase his revenue from selling PRAN rice? Explain using a diagram.
6. Suppose medicine M has an inelastic demand curve. What should the seller of medicine M do to price to increase his revenue from selling medicine M? Explain using a diagram.