Econcode- Problems and Answers

1. A local council raises the price of car parking from $3 per day to $5 per day and finds that usage of car parks contracts from 1,200 cars a day to 900 cars per day. Calculate the price elasticity of demand for this price change?

Price elasticity of demand =

=

= = 0.375

Demand is inelastic.

1. If the quantity demanded of soda increases by 4% when the price of coffee increases by 16%, the cross-price elasticity of demand between soda and coffee is?

Cross elasticity of demand

=

= = 0.25

Nature of the goods: Substitutable goods

1. Suppose the quantity demanded for coffee at AB Cafe increases from 5,000 to 6,000 cups per week when there is 4% increase in the income of AB students. Calculate the income elasticity of AB Cafe coffee and determine which category of goods it belong to.

Income elasticity of demand =

= = 5.0

Nature of the Good: Normal and Luxuries

1. Calculate the value of price elasticity of supply of commodity A if the percentage change in price of the commodity is 10% and percentage change in its quantity supplied is 18%.

Price elasticity of Supply =

= = 1.8

Supply is elastic