

Elasticity example in class ...

1. The quantity of cola bottles our company buys increases from 6,000 to 8,000 as the price decreases from 28 cents to 25 cents. What is our company's price elasticity of demand?

Is this elastic, inelastic or unit elastic?

What is total expenditure, before and after? How does it change?

Explain what a 1% change means in one sentence.

2. If an increase in my computer time from 20 hours to 25 hours per week decreases my cost (price charged by the copy shop) from \$0.50 per hour to \$0.35.

What is my price elasticity of demand?

Is this elastic, inelastic or unit elastic?

What is total revenue, before and after? How does it change?

Explain what a 1% change means in one sentence.