Price Elasticity of Demand: Variation Theory

Answer left to right.

Think carefully about how each question has changed from the ones before, and how that effects the answer. Every **variation** is chosen carefully to teach you something.

Old Price	£200
New Price	£204
Old Quantity Demanded	500
New Quantity Demanded	485
PED	

Old Price	£2.00
New Price	£2.04
Old Quantity Demanded	500
New Quantity Demanded	485
PED	

Old Price	£200
New Price	£204
Old Quantity Demanded	100
New Quantity Demanded	97
PED	

Old Price	£200
New Price	£204
Old Quantity Demanded	500
New Quantity Demanded	485
PED	

Old Price	£200
New Price	£204
Old Quantity Demanded	500
New Quantity Demanded	480
PED	

Old Price	£200
New Price	£204
Old Quantity Demanded	500
New Quantity Demanded	450
PED	

Old Price	£200
New Price	£204
Old Quantity Demanded	500
New Quantity Demanded	495
PED	

Old Price	£200
New Price	£204
Old Quantity Demanded	500
New Quantity Demanded	498
PED	

Old Price	£200
New Price	£204
Old Quantity Demanded	500
New Quantity Demanded	499
PED	

Old Price	£200
New Price	£204
Old Quantity Demanded	500
New Quantity Demanded	500
PED	

Old Price	£200
New Price	£204
Old Quantity Demanded	500
New Quantity Demanded	490
PED	

Old Price	£200
New Price	£200
Old Quantity Demanded	500
New Quantity Demanded	550
PED	

In your book:

1) After a 20%-off promotion, sales increased from 800 to 1000. Find the PED.

2) If the PED is -2, and the price is cut by 40%, how much will sales increase by?

3) If the PED is -0.5, and the price increases by 30%, what will happen to sales?

4) The PED is -2. Sales are at 300 per month. The price is £100. Would I make more money by increasing my prices by £5, or decreasing my prices by £5? What if the PED was -0.5?