Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**1.2.4 Price elasticity of demand**

1. Identify whether each of the following statements are true or false. Justify your answer.

|  |  |
| --- | --- |
| Statement | True/False |
| The coefficient of PED for a normal good is expressed as a negative. |  |
| Justification: |
| A price inelastic product will have a PED>-1. |  |
| Justification: |
| A rise in price will always lead to a fall in revenue. |  |
| Justification: |
| A product with few substitutes is likely to be price elastic.  |  |
| Justification: |
| The PED of a product can be affected by branding. |  |
| Justification: |
| A product in a highly competitive market is likely to have a PED>-1. |  |
| Justification: |
| If a product has a PED of -1.5 a 10% increase in price will lead to a 15% rise in demand. |  |
| Justification: |

1. Fill in the grid below to show whether a change in price will lead to a rise or fall in sales revenue.

|  |  |  |
| --- | --- | --- |
|  | Elastic | Inelastic |
| Rise in price |  |  |
| Fall in price |  |  |

1. State three factors that will influence the price elasticity of demand for a product.
	* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_A
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