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**6. Income Elasticity of Demand Mark: /13**

Geri sells conservatory furniture. His product portfolio ranges from the basic two seater sofa and two chairs, priced at just £199 to a deluxe set priced at £2 500. Last year Geri sold 125 deluxe sets. Incomes in the area are forecast to increase by 3.2% next year.

1. What was Geri’s sales revenue from deluxe sets last year? /2 marks

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1. Geri predicts that YED for his deluxe range is +1.25. What % change in demand would he forecast? /3 marks

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1. What is Geri’s new sales revenue from the deluxe range? /5 marks

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1. For the basic range Geri forecasts his YED is -0.8. What percentage change in demand would this lead to? /3 marks

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Why might Geri’s complete product portfolio have a positive YED?