

##

## Answers to YED identify normal, inferior and luxury goods on page 4

|  |  |  |
| --- | --- | --- |
| Image result for bread in wrapper |  |  |
| Normal goods:As incomes rise the demand for these goods rises slightlyPositive YED <1 | Luxury goods:As incomes rise the demand for these goods rises sharplyPositive YED >1 | Inferior goods:As incomes rise the demand for these goods fallsNegative YED |
| 2 Coca Cola | 3 Sports car | 1 Sainsbury’s Own Brand Cola |
| 8 Galaxy chocolate bar | 4 Holiday | 7 Pot noodle |
| 11 China plates | 5 Diamond ring | 9 ASDA Smart price chocolate bar |
| 13 Domino’s pizza | 6 Rolex watch | 10 Paper plates |
| 15 Steak |  | 12 Microwave pizza |
| 17 Taxi fare |  | 14 Cheap cuts of meat |
|  |  | 16 Bus tickets |

## Answers to YED example calculations on page 7

|  |  |  |  |
| --- | --- | --- | --- |
| %Change in Quantity demanded | % Change in income | YED calculation | Inferior, normal or luxury goods? |
| +40% | -6% | -6.67 | Inferior |
| -25% | +7% | -3.57 | Inferior |
| +35% | -4% | -8.75 | Inferior |
| -80% | -2% | 40 | Luxury |
| +3% | +15% | 0.2 | Normal |
| +13% | +3% | 4.33 | Luxury |
| +22% | +24% | 0.92 | Normal |
| +21% | +7% | 3 | Luxury |
| -30% | 4% | -7.5 | Inferior |

# Answers to YED practice questions

## Answer to practice question 1 on page 8

* The consumer incomes have fallen so this is a negative number -10%
* 15 / -10 = -1.5
* YED is negative therefore Bob’s Pizza an inferior good

## Answer to practice question 2 on page 9

* Consumer incomes have risen so this a positive number
* 1.2 / 1.6 = 0.75
* YED is between 0 and 1 so the beds are a normal good

## Answer to practice question 3 on page 10

* % change in quantity demanded is 4%
* % change in income is 8.5%
* 4% ÷ 8.5% = 0.47
* YED is 0.47
* YED is between 0 and 1 so the meal deals are a normal good

## Answer to practice question 4 on page 11

* % change in quantity demanded needs to be calculated
* New = 800, Old = 700
* 800-700 / 700 x 100
* 14.29% (rounded up)

Now put the result into the YED formula

* % change in quantity demanded is 14.29%
* % change in income is 2.2% (given in the question
* 14.29% ÷ 2.2% = 6.495
* YED is 6.50 (rounded up to two decimal places)
* YED value is larger than 1 so a dog bed is a luxury good