1. What kind of elasticity of demand do you know?
2. What is price elasticity of demand and write the formula for calculating it.
3. What is the income elasticity of demand and write the formula for calculating it.
4. What is the cross elasticity of demand and write the formula for calculating it.
5. What are the determinants of price elasticity of demand?
6. What is the meaning of „elastic demand“?
7. What is the meaning of „inelastic demand“?
8. What is the meaning of „unitary elastic demand“?
9. When is the demand perfectly elastic?
10. When is the demand perfectly inelastic?
11. Draw the graphical presentation of price elasticity of demand and label the curves.
12. If the cross-elasticity between peanut butter and jelly is -0.5, then a 10 % increase in the price of hammers would:
    a) cause no change in the quantity of jelly;
    b) cause a 10 % increase in the quantity of jelly;
    c) cause a 15 % increase in the quantity of jelly;
    d) cause a 5 % decrease in the quantity of jelly;

13. If the price elasticity of demand E = 0.3, we say that the demand is __________________.
14. If the price elasticity of demand E = 2.5, we say that the demand is __________________.
15. If the demand curve for a good always has unitary price elasticity, what does this imply about consumer behavior?
    a) Consumers do not react to a price change.
    b) Consumers will spend a constant total amount on the good.
    c) Consumers are irrational.
    d) Consumers do not obey the Law of Demand.
16. When crude oil prices increased from $10 to $30 per barrel non-OPEC production eventually expanded (assuming ceteris paribus) from 6 to 12 million barrels per day. Calculate the price elasticity of supply for non-OPEC oil producers.
17. General Motors recently cut the average price of Chevrolets from $12,000 to $11,000 by means of a factory rebate and, ceteris paribus, sales of Fords fell from 60,000 to 50,000 per month. Calculate the cross-price elasticity of demand for Fords.
18. Recently, a downtown movie theater reduced its ticket price on Monday evenings from $5 to $2 and (everything else staying constant) average ticket sales on Monday evening rose from 100 to 400. Calculate the price elasticity of demand.
    What kind of demand is it? Why do you think it is that kind of demand?
19. Recently the publisher of a Principles of Economics textbook raised its price from $20 to $30 and (ceteris paribus) sales per year fell from 2.1 to 1.9 million copies.
    What is the elasticity of demand? What kind of demand is it? Why do you think it is that kind of demand?

20. If the price elasticity of demand for a good is less than one in absolute terms, we say consumers of this good
    a) are not very sensitive to price.
    b) are not very sensitive to the quantity they demand.
    c) are very sensitive to price.
    d) are elastic.

21. If the price of orange juice rises 10%, and as a result the quantity demanded falls by 8%, the price elasticity of demand for orange juice is
    a) 1.25.
    b) Inelastic.
    c) Both A and B above.
    d) Neither A nor B above.

22. The cross price elasticity of demand between two goods will be positive if
    a) the two goods are complements.
    b) the two goods are substitutes.
    c) the two goods are luxuries.
    d) one of the goods is a luxury and the other is a necessity.

23. If the price elasticity of demand for cars is -2, a decline in the price of cars by 20% will cause
    a) 40% decline in car purchases and 20% decline in car producer's revenues.
    b) 10% decline in car purchases and 40% decline in car producer's revenues.
    c) 40% rise in car purchases and 20% rise in car producer's revenues.
    d) 10% rise in car purchases and 40% rise in car producer's revenues.

24. If the cross price elasticity of demand between X and Y is -3.0, we can conclude that
    a) X and Y are substitutes and a rise in the price of one will cause an increase in the demand for the other
    b) X and Y are complements and a rise in the price of one will cause an increase in the demand for the other
    c) X and Y are substitutes and a rise in the price of one will cause a decrease in the demand for the other
    d) X and Y are complements and a rise in the price of one will cause a decrease in the demand for the other