



## Worksheet 1: Missing information answers

Sr. No.	Elasticity of demand	Comment – sign	Comment – value	Explanation – sign	Explanation – value
1.	$PED = -1.5$	<i>PED is always negative</i>	<i>PED &gt; 1 shows price elastic demand, % age <math>\Delta</math> in Qd &gt; % age <math>\Delta</math> in price</i>	<i>The negative sign confirms the inverse relationship between P and Q.</i>	<i>The product may be a luxury or one with substitutes.</i>
2.	$PED = -0.8$	<i>PED is always negative</i>	<i>PED &lt; 1 shows price inelastic demand, % age <math>\Delta</math> in Qd &lt; % age <math>\Delta</math> in price</i>	<i>The negative sign confirms the inverse relationship between P and Q.</i>	<i>The product may be a necessity or one whose substitutes are not easily available.</i>
3.	$MED = +1.2$	<i>Normal good</i>	<i>Income elastic demand, % age <math>\Delta</math> in Qd &gt; % age <math>\Delta</math> in income</i>	<i>Demand for normal goods rises with an increase in income.</i>	<i>The product may be a luxury.</i>
4.	$MED = +0.3$	<i>Normal good</i>	<i>Income inelastic demand, % age <math>\Delta</math> in Qd &lt; % age <math>\Delta</math> in income</i>	<i>Demand for normal goods rises with an increase in income.</i>	<i>The product may be a necessity.</i>
5.	$MED = -1.2$	<i>Inferior good</i>	<i>Income elastic demand, % age <math>\Delta</math> in Qd &gt; % age <math>\Delta</math> in income</i>	<i>Demand for inferior goods falls with an increase in income.</i>	<i>A rise in income causes a more than proportionate fall in Qd.</i>
6.	$CED = +0.5$	<i>Substitutes</i>	<i>Cross price inelastic demand, % age <math>\Delta</math> in Qd of good X &lt; % age <math>\Delta</math> in price of good Y</i>	<i>Demand for a product rises when its substitutes become expensive.</i>	<i>The two products are weak substitutes.</i>
7.	$CED = +2.5$	<i>Substitutes</i>	<i>Cross price elastic demand, % age <math>\Delta</math> in Qd of good X &gt; % age <math>\Delta</math> in price of good Y</i>	<i>Demand for a product rises when its substitutes become expensive.</i>	<i>The two products are strong substitutes.</i>
8.	$CED = -0.75$	<i>Complements</i>	<i>Cross price inelastic demand, % age <math>\Delta</math> in Qd of good X &lt; % age <math>\Delta</math> in price of good Y</i>	<i>Demand for a product rises when its complements become cheaper.</i>	<i>The complementary good is less essential.</i>



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9.	$CED = -1.25$	Complements	Cross price elastic demand, $\% \text{ age } \Delta \text{ in Qd of good X} > \% \text{ age } \Delta \text{ in price of good Y}$	Demand for a product rises when its complements become cheaper.	The complementary good is more essential.
10.	$CED = 0$	Unrelated goods	Perfectly cross price inelastic demand, $\% \text{ age } \Delta \text{ in Qd} = 0$	A change in the price of a good does not affect Qd of unrelated goods.	For example, rail travel and restaurant meal.
11.	$MED = 0$	Perfect necessities	Perfectly income inelastic demand, $\% \text{ age } \Delta \text{ in Qd} = 0$	A change in consumer's income leaves Qd of necessities completely unchanged.	For example, food.