

IC #8 Key (3-4-09)

1. If the quantity demanded of a product decreased 10% when the price of that product increased 5%, the own price elasticity of demand ( $E_0$ ) for that product apparently was:
  - a.  $-\frac{1}{2}$  - 2
  - b.  $+\frac{1}{2}$  - 3
  - c. -2 - 0
  - d. +2 - 2
  - e. none of the above - 3
  
2. An own price elasticity of demand of -4 for a product means that quantity demanded will change by:
  - a. 4 units in the opposite direction of a 1 unit change in the price of that product - 2
  - b. 1% in the opposite direction for each 4% change in the price of that product - 2
  - c. 4% in the opposite direction for each 1% change in the price of that product - 0
  - d. 4% in the same direction for each 1% change in the price of that product - 3
  - e. 1% in the opposite direction of a 4% change in income - 3