Problem Set #4
Elasticity

Tutorial Problems

1. Demand is $MWTP(Q) = 100–Q/2$. At the current market price, 80 units are demanded. What is elasticity of demand at the current market price?

   A. $\frac{8}{3}$
   B. $\frac{6}{4}$
   C. $\frac{4}{6}$
   D. $\frac{3}{8}$
   E. None of the above.

2. Ted Co Ltd. is a major telecom company in Canada that offers cellphone plans for $75. They decide to raise their prices to $90 and they see the number of plans sold go from 500 thousand to 475 thousand. Using the mid-point elasticity method, what is the own-price elasticity of cellphone plans?

   A. -0.25
   B. -0.20
   C. -0.15
   D. -0.05
   E. None of the above.