

## Elasticity of Demand

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### Part A: Multiple Choice Questions

1. What does elasticity of demand measure?

- A. Total production B. Consumer income C. Responsiveness to price change D. Government policy

2. Demand is considered elastic when:

- A. Price change has no effect B. Quantity demanded changes significantly C. Supply increases D. Prices remain fixed

3. Demand is inelastic when:

- A. Quantity demanded changes greatly B. Consumers ignore price changes C. Price and demand are equal D. Supply decreases

4. If prices rise and demand drops sharply, demand is:

- A. Inelastic B. Unit elastic C. Elastic D. Fixed

5. Unit elastic demand means:

- A. No change in demand B. Equal percentage change C. Demand is zero D. Price constant

6. Total revenue is:

- A. Price  $\times$  Supply B. Price  $\times$  Quantity Sold C. Demand  $\times$  Supply D. Income  $\times$  Price

7. When demand is elastic and price increases, revenue:

- A. Increases B. Decreases C. Same D. Doubles

8. Factor affecting elasticity:

- A. Weather B. Consumer preferences C. Government D. None

9. Luxury goods have:

- A. Inelastic B. Elastic C. Fixed D. No demand

10. Necessities have:

- A. Elastic B. Inelastic C. Unlimited D. No demand

11. If price decreases and revenue increases:

- A. Elastic B. Inelastic C. Unit D. Zero

12. Demand depends on:

- A. Supply B. Price C. Weather D. Government

13. Elastic demand means:

- A. Not responsive B. Highly responsive C. Unaware D. Indifferent

14. Buyer reaction term:

- A. Supply curve B. Elasticity C. Revenue D. Profit

15. Price-demand relation:

- A. Simple B. Fixed C. Complex D. Equal

### Part B: Yes / No

16.	Elasticity shows reaction to price. (Yes/No)
17.	All goods react same. (Yes/No)
18.	Demand is always fixed. (Yes/No)
19.	Revenue helps determine elasticity. (Yes/No)
20.	Price rise always lowers demand. (Yes/No)

### Part C: Matching

21.	Elastic Demand	Little response
22.	Inelastic Demand	Large response
23.	Unit Elastic	Income from sales
24.	Total Revenue	Basic goods low response
25.	Necessities	Equal change