

BEC 30325: MANAGERIAL ECONOMICS

Tutorial 02

Demand and Elasticity

- 1) Define quantity demanded and identify the determinants of demand.
- 2) Assume that the equations for demand and supply of a particular good are:

$$QD = 100 - 3P \text{ and } QS = 4 + 5P$$

Calculate the equilibrium price and quantity.

- 3) There is a producer who sells two products, tooth brushes and tooth pastes. The demand faced by each of the product is given below.

$$\text{Tooth brushes: } QTB = 10,060 - 1.2P$$

$$\text{Tooth Pastes: } QTP = 600 - 4P$$

Current price for the tooth brushes and tooth pastes is, Rs 50 and Rs. 100, respectively.

- a) Find the current demand for the two products
 - b) Calculate the price elasticity of the two products at the current prices
 - c) The producer has decided to increase the price of the two products by 10%. You are to advise him regarding this decision to increase the price.
- 4) Explain the Identification problem in Demand, use a graph to support the answer.