# Price Elasticity of Demand: Variation Theory

**Answer left to right**.

Think carefully about how each question has changed from the ones before, and how that effects the answer. Every **variation** is chosen carefully to teach you something.

|  |  |
| --- | --- |
| Old Price | £200 |
| New Price | £204 |
| Old Quantity Demanded | 500 |
| New Quantity Demanded | 485 |
| PED |  |

|  |  |
| --- | --- |
| Old Price | £2.00 |
| New Price | £2.04 |
| Old Quantity Demanded | 500 |
| New Quantity Demanded | 485 |
| PED |  |

|  |  |
| --- | --- |
| Old Price | £200 |
| New Price | £204 |
| Old Quantity Demanded | 100 |
| New Quantity Demanded | 97 |
| PED |  |

|  |  |
| --- | --- |
| Old Price | £200 |
| New Price | £204 |
| Old Quantity Demanded | 500 |
| New Quantity Demanded | 485 |
| PED |  |

|  |  |
| --- | --- |
| Old Price | £200 |
| New Price | £204 |
| Old Quantity Demanded | 500 |
| New Quantity Demanded | 480 |
| PED |  |

|  |  |
| --- | --- |
| Old Price | £200 |
| New Price | £204 |
| Old Quantity Demanded | 500 |
| New Quantity Demanded | 450 |
| PED |  |

|  |  |
| --- | --- |
| Old Price | £200 |
| New Price | £204 |
| Old Quantity Demanded | 500 |
| New Quantity Demanded | 495 |
| PED |  |

|  |  |
| --- | --- |
| Old Price | £200 |
| New Price | £204 |
| Old Quantity Demanded | 500 |
| New Quantity Demanded | 498 |
| PED |  |

|  |  |
| --- | --- |
| Old Price | £200 |
| New Price | £204 |
| Old Quantity Demanded | 500 |
| New Quantity Demanded | 499 |
| PED |  |

|  |  |
| --- | --- |
| Old Price | £200 |
| New Price | £204 |
| Old Quantity Demanded | 500 |
| New Quantity Demanded | 500 |
| PED |  |

|  |  |
| --- | --- |
| Old Price | £200 |
| New Price | £204 |
| Old Quantity Demanded | 500 |
| New Quantity Demanded | 490 |
| PED |  |

|  |  |
| --- | --- |
| Old Price | £200 |
| New Price | £200 |
| Old Quantity Demanded | 500 |
| New Quantity Demanded | 550 |
| PED |  |

In your book:

1) After a 20%-off promotion, sales increased from 800 to 1000. Find the PED.

2) If the PED is -2, and the price is cut by 40%, how much will sales increase by?

3) If the PED is -0.5, and the price increases by 30%, what will happen to sales?

4) The PED is -2. Sales are at 300 per month. The price is £100. Would I make more money by increasing my prices by £5, or decreasing my prices by £5? What if the PED was -0.5?