A-LEVEL BUSINESS • HOLIDAY HOMEWORK 假期作业

8 Elasticity – Part 2

Name: ____________ Class: ________ Date: __________

Vocabulary 词汇

Write each word three times. 把每个单词抄写三遍。

English	中文	Write it 3 times (English)		
Elasticity	弹性			
elastic	富有弹性			
inelastic	缺乏弹性			
PED	价格需求弹性			
YED	收入需求弹性			
XED	交叉需求弹性			

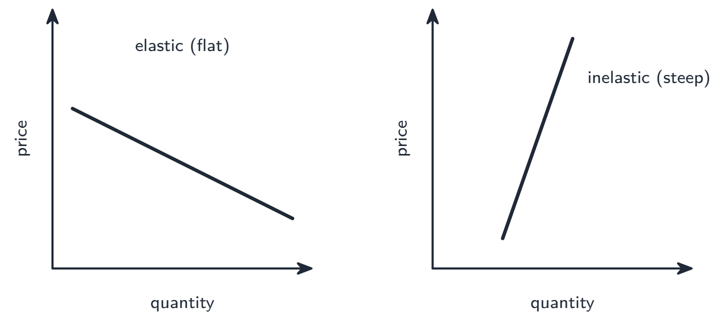
Recall

Elasticity 弹性 measures how much demand reacts to a change. It helps a firm set prices and plan.

New ideas

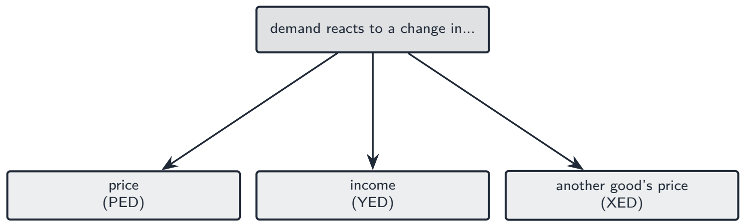
Read these first, then do the Practice.

■ 1 Elastic vs inelastic



- **elastic** 富有弹性 demand reacts a lot to a price change (the curve is flat);
- **inelastic** 缺乏弹性 demand reacts only a little (the curve is steep).

■ 2 Three elasticities



Demand can react to a change in:

- **price** (price elasticity of demand, **PED** 价格需求弹性);
- **income** (income elasticity of demand, **YED** 收入需求弹性);
- another good's price (cross elasticity of demand, **XED** 交叉需求弹性).

Watch out: elastic = demand reacts *a lot* (flat curve); inelastic = reacts *little* (steep curve). PED reacts to *price*, YED to *income*, XED to *another good's price.*

Practice

Try these in order.

8.6 What does *elasticity* measure? [1]

8.7 Demand barely changes when the price rises. Is it elastic or inelastic? [1]

8.8 Which elasticity is about a change in *price*? [1]

8.9 What does *YED* react to? [1]

8.10 A firm sells a product with very inelastic demand. Would a small price rise lose many customers? [1]

8.11 Challenge. In a recession, incomes fall. A firm sells a luxury product with a high positive income elasticity (YED). Predict what happens to its sales, and explain. [2]