

Solutions

2.1 Percentage price change = $(12 - 10) / 10 \times 100\% = 20\%$. Percentage quantity change = $(90 - 100) / 100 \times 100\% = -10\%$. PED = $\% \Delta Q_d / \% \Delta P = -10\% / 20\% = -0.5$, dimensionless. Revenue initially = $10 \times 100 = 1,000$ units; finally = $12 \times 90 = 1,080$ units. Demand is inelastic over this change under this convention. Authored points for identifying relevant evidence, explaining a supported inference and a material limit.

3.1 Advertising can shift demand, so the two observations may not lie on the same curve. The percentage ratio is arithmetic but cannot isolate the own-price response without other determinants controlled or accounted for. Explain the movement/shift distinction. Authored points for a relevant judgement, reason tied to the case and justified qualification or method. Accept a supported alternative.