**ECO401 Assignment No 1 Solution Spring 2022**

**Vudaily.com**

**SOLUTION:**

a) Calculate price elasticity of demand when price is 4 dollars. Also, interpret the result.

**Solution:**

𝑄𝑑 = 75 − 20(4) + 2(4)2𝑄𝑑 = 75 − 80 + 32

𝑄𝑑 = -(5) + 32

𝑄𝑑 = 27

b) Calculate total revenue of the industry by using above information in part

**Solution:**

𝑇𝑜𝑡𝑎𝑙 𝑟𝑒𝑣𝑒𝑛𝑢𝑒 = 𝜋

𝑤ℎ𝑖𝑐ℎ 𝑒𝑞𝑢𝑎𝑙 𝑡𝑜 𝜋 = 𝑃 × 𝑄

= 4 × 27

= 108

c) If price elasticity of demand of Vira Bloc becomes -15/14 then how this

will affect the price of Vira Bloc?

**Solution:**

𝑑𝑒𝑚𝑎𝑛𝑑 𝑜𝑓 𝑉𝑖𝑟𝑎𝐵𝑙𝑜𝑐 𝑏𝑒𝑐𝑜𝑚𝑒 – 15/14

𝑑𝑖𝑣𝑖𝑑𝑒 𝑏𝑜𝑡ℎ 𝑤ℎ𝑖𝑐ℎ 𝑖𝑠 𝑒𝑞𝑢𝑎𝑙 𝑡𝑜 − 1.0714 Elastic

We know that when the answer lie in center it's called unitary.

So, the demand is increase and their total revenue decrease