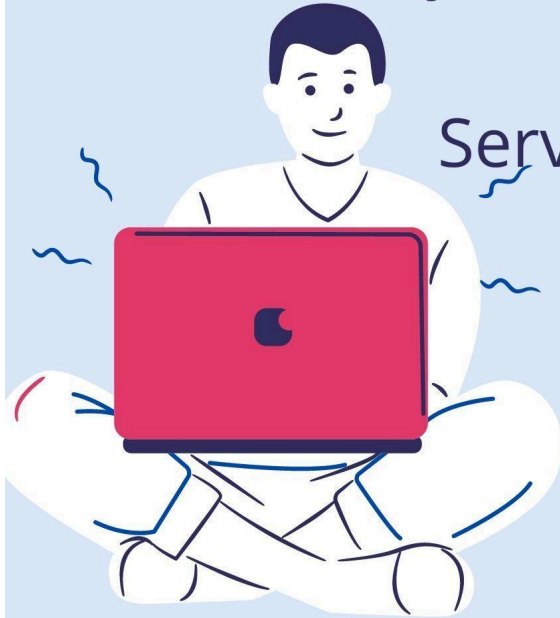


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ECO401 Assignment No 1 Solution Spring 2022

Question no 1 Solution:

$$Qd = 75 - 20p + 2P \text{ power } 2$$

$$P = 4$$

(Price in dollars) Qd (Quantity Demand) Putting P Value in Equation now. a) Calculate price elasticity of demand when price is 4 dollars. Also, interpret the result.

$$Qd = 75 - 20(4) + 2(4) \text{ power } 2$$

$$Qd = 75 - 80 + 32$$

$$Qd = 27$$

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

$$\text{Total revenue} = \pi$$

which is equal to

$$\pi = P \times Q$$

$$= 4 \times 27$$

$$= 108$$

c) If price elasticity of demand of ViraBloc becomes - 15/14 then how this will affect the price of ViraBloc?

demand of ViraBloc become - 15/14 divide both which is equal to - 1.0714

As we know that when the answer lie in center it's called unitary if the answer is going in positive its called Elastic if the answer is less than one mean in minus its mean it's going in negative it's called in elastic. So the nature of the Virabloc is in elastic and in elastics the Increase the price as much as you like, quantity demanded almost the same

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