Section 3: Guided Reading and Review

Elasticity of Demand

A. As You Read
As you read Section 3, supply the missing information in the spaces provided.

Calculating Elasticity  (Provide a formula or numerical value.)
1. Computation of elasticity of demand: ____________________________
2. Elastic demand: ____________________________
3. Inelastic demand: ____________________________
4. Unitary elastic demand: ____________________________

Factors Affecting Elasticity  (How does each affect elasticity?)
5. Substitutes: ____________________________
6. Necessities vs. luxuries: ____________________________
7. Changes over time: ____________________________

Elasticity and Revenue  (Define and explain.)
8. Total revenue: ____________________________
9. How elasticity affects a company’s pricing: ____________________________

B. Reviewing Key Terms
Briefly define or identify each of the following.
10. elasticity of demand ____________________________
11. inelastic ____________________________
12. elastic ____________________________
13. unitary elastic ____________________________