The Consumption of Apples

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Unit II/IP2 Economics

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“*Suppose the price of apples rises from $3 a pound to $3.50 and your consumption of apples drops from 35 pounds of apples a month to 20 pounds of apples. Calculate your price elasticity of demand of apples. What can you say about your price elasticity of demand of apples? Is it Elastic, Inelastic, or Unitary Elastic? Be sure to show the work you used to support your answer. Cited by class material, Dr. Rathin Basu”*

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| --- | --- |
| Q1=35  | P1=$3.50 |
| Q2=20  | P2=$3.00 |
| Q2-Q1 (Q2+Q1)/Q2Q=20-35 | P2-P1 (P2+P1)/P2P=$3.00-$3.50 |
| Q=20+35/20 | P=$3.00+$3.50/$3.00 |
| Q=-15/2.75 | P=$-.50/$2.16 |
| Q=18.33 Lbs of apples | P=$1.08 |
| =-.05 same as 5% |  |

Analyzing the total consumption

Q1=35 P1=$3.50

Q2=20 P2=$3.00

Q20-Q35 (20+35)/2 / P2-P1 (P2+P1)/2

Q=20-35 P= ($3.00-$3.50)

Q= (20+35)/2 p= ($3.00+$3.50)/2

Q=-15, 27.50 P=-.50, $3.25

Q=1.83 P= $6.50

The percentage in Ratio is3.55% of decrease from the original price, the amount of quantity in demand is elastic. When prices are higher the demand of apples will decrease. This is what is happening in consumer and firms. The revenue will have a decrease in its financial books due to inflation of prices.