



Department of Education, Sabaragamuwa/weekly school

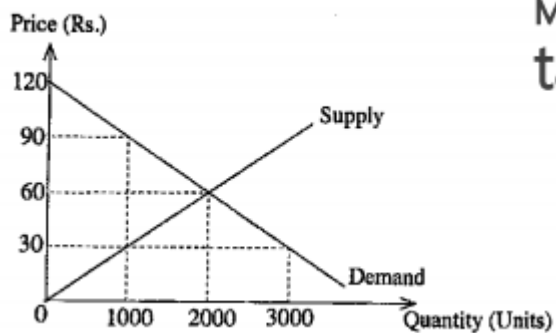
week- January 4

Subject-Economics

Grade-12

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1. What factors determine the price elasticity of demand for a consumer good?
2. Why is a downward-sloping linear demand curve more price elastic at higher price ranges and more price inelastic at lower price ranges?
3. Given the income elasticities of demand of the following goods, how would you classify the following goods as 'luxury', 'necessity' and 'inferior' goods?
 - (a) Bottled water 1.3
 - (b) Cowpea -0.8
 - (c) Bread 0.5
 - (d) Mobile phone 1.8
4. The diagram below shows demand and supply curves for a good sold in a competitive market. Assume that the government has now imposed an excise tax of Rs.60 per unit on producers in this market.



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- (a) By how much will consumer surplus change as a result of the tax?
- (b) By how much will producer surplus change as a result of the tax?
- (c) How much revenue will the government collect from the excise tax?
- (d) Calculate the dead-weight loss created by the tax.