

Assignment: Price Elasticity of Demand and Total Revenue

It is highly recommended that you review the Seminar presentation located in the Seminar area before beginning the Assignment.

According to the law of demand, if price increases, quantity demanded of a good or service will decrease or vice versa. Price elasticity of demand tells us how much quantity demanded will decrease when price increases or how much quantity demanded will increase if price decreases.

On the other hand, according to the law of supply, if the price increases, quantity supplied of a good or service will increase. Similarly, if price decreases, quantity supplied will decrease. The degree of sensitivity (responsiveness) of production/supply to a change in price is measured by the concept of price elasticity of supply.

Total revenue is calculated as the quantity of a good or service sold multiplied by its market price. Thus, it is a measure of how much money a company makes from selling its product. The core objective of a firm is maximizing profit. One of the ways to maximize profit is increasing total revenue. The firm can increase its total revenue by selling more items or by raising the price. Among others, this depends on the nature of the price elasticity of demand. Moreover, the length of time is an important factor in determining price elasticity of demand and supply.

Course outcome(s) practiced and assessed in this Assignment:

GB540-1: Examine microeconomic tools for purposes of problem solving, analysis, and decision-making.

Directions

- Explain the relationship between the price elasticity of demand and total revenue. What are the impacts of various forms of elasticities (elastic, inelastic, unit elastic, etc.) on business decisions and strategies to maximize profit? Explain your responses using empirical examples, formulas and graphs.
- Is the price elasticity of demand or supply more elastic over a shorter or a longer period of time? Why? Give examples.
- What are the impacts of government and market imperfections (failures) on the price elasticities of demand and supply?

Criteria

- Your Assignment should have a cover sheet with the following information: Title of the paper, Your Name, Course Number and Section Number, and Date
- It must be a minimum of 5 pages long (excluding title page, references, etc.)

- Be sure to include the criteria located in the rubric below within your paper.
- It must be APA formatted with citations to your sources and your last page should list all references used. (Review the APA formats found in the [Kaplan Writing Center](#))
- You must use a variety of two objective, high quality, and current sources. Peer reviewed articles, articles published in journals, textbooks, and library resources found in the KU Online Library are examples of high quality resources.
- Note that Wikipedia, Investopedia, etc. are not considered as reliable resources for this research.

Directions for Submitting

Submit your Assignment to the **Unit 2 Assignment** Dropbox by the end of Unit 2.

GB540 Unit 2 Assignment: Price Elasticity of Demand and Total Revenue		
Content and Analysis	Points Possible	Points Earned
Explain the relationship between the price elasticity of demand and total revenue. What are the impacts of various forms of elasticities (elastic, inelastic, unit elastic, etc.) on business decisions and strategies to maximize profit? Explain using empirical examples.	20	
Is the price elasticity of demand or supply more elastic over a shorter or a longer period of time? Why? Give examples.	10	
What are the impacts of government and market imperfections (failures) on the price elasticities of demand and supply?	10	
Five pages in length.	10	
Included at least two reliable references.	6	
Writing style, grammar, and APA format.	14	
Total	70	