Question 1

Define:

1. Unit elastic demand
2. Price elastic demand
3. Price inelastic demand

Question 2

State and explain three factors which influence price elasticity of demand.

Question 3

A manufacturer of three different products calculates the PED for each product as follows:

Product A: –2.8 Product B: –1.0 Product C: –0.5

The manufacturer wishes to maximise its revenues. Explain, in respect of each of these products, what change, if any, the manufacturer should make to the prices currently being charged to enable it to achieve its aim.

Illustrate your answers with the aid of a demand curve for each product.

The table below shows estimated values for Income Elasticity of Demand (YED) for selected goods in Ireland.

Question 4 – from Q7 of 2025 SEC paper

	Product	YED value
1	**Domestic electricity**	$+0.1$
2	**Instant noodles**	-0.5
3	**Premium branded clothing**	$+4.1$

Identify one necessity and one luxury good from the above table, using the Income Elasticity of Demand (YED) data provided. Justify both of your answers.

	Product	Justify
Necessity		
Luxury good		