**Revision questions**

(30 marks; 30 minutes)

1 Calculate the income elasticity of demand for a product that sold 20,000 units in 2008, and 22,400 in 2009, when real incomes in the UK fell by 6 per cent.(4)

2 For each of the following, explain whether you think the product/service is a normal, a luxury or an inferior good. Make your reasoning clear. (9)

a) a railway commuter's return ticket

b) a trip for the family to Disneyland Paris

c) a can of Tesco Value tomato soup.

3 Are these products normal, luxury or inferior?

a) Product A: income elasticity -1.5

b) Product B: income elasticity +4.5

c) Product C: income elasticity +0.9. (3)

4 See the quote by Larry Light on page 53.

'You do not build brand value by saying how cheap you are. You do build brand value by reinforcing how special you are.'

Larry Light, brand consultant

Explain the implications of the quote for the income elasticity of demand for a product or service of your choice. (5)

5 Explain the circumstances that might lead a product that is a normal good to become an inferior good over a period of two or three years (3)

6 Pol Roger champagne sells 10,000 bottles a month in the UK at £30 a time. Its PED is -0.4 and its YED is +6.

a) Calculate the value of its UK sales next year if real incomes rise by 2.5 per cent. (3)

b) Briefly explain how Pol Roger might use the data on its price elasticity of demand. (3)