

Price Elasticity of Demand (PED)

- **Definition:** How much demand changes when price changes.
- **Formula:** % change in quantity demanded ÷ % change in price.

Types of Demand (with examples)

- **Elastic ($|PED| > 1$):** Demand is very responsive.
 - Example: Movie tickets 🎟️ → If price goes up, people stop going.
 - Effect: Price ↑ → Total Revenue ↓.
- **Inelastic ($|PED| < 1$):** Demand is not very responsive.
 - Example: necessity of life → People still need to buy even if price rises.
 - Effect: Price ↑ → Total Revenue ↑.
- **Unitary ($|PED| = 1$):** Demand changes equally with price.
 - Example: A product where a 10% price cut leads to a 10% increase in sales.
 - Effect: Price change → TR same.

Total Revenue (TR)

- **Formula:** TR = Price × Quantity.

Scenario (PED = 2 → Elastic)

- Example: Luxury handbags 🛍️. If price increases, sales drop sharply.
- **Result:** TR decreases.