

## RM 4-12-3 Constructing a Price Index

Name: \_\_\_\_\_ Course: \_\_\_\_\_ Date: \_\_\_\_\_  
\_\_\_\_\_

In order to establish a basis for the comparison of prices from year to year, Statistics Canada sets a base year for which it fixes the representative basket value at 100 (or 100 percent). The value of the representative basket is then totalled for each succeeding year and expressed as a percentage in terms of the base year.

Let's look at a simple "Student Price Index." In 2018, Lakni bought only hamburgers, T-shirts, and basketball tickets. By 2019, she found that the prices for all these goods had risen. The prices that she paid are displayed in Figure 1. Calculate the total cost of her "basket" in each year.

Item	Price in 2018 (base year)	Price in 2019
Hamburger	\$5	\$7.50
T-shirt	\$25	\$30
Basketball ticket	\$30	\$36
<b>Total cost of basket (add the column)</b>		

The index in the base year is always 100.  $x 100 = 100$

The price index for 2019 is  $x 100 =$  \_\_\_\_\_

The basket of goods increased in price by \_\_\_\_\_ %