



BT/FMA Business and Technology: Workbook

For exams from September 2023

Chapter 5, Activity 4 answer, page 294

In the answer to part (1), the highlighted number should be 8.33 to match the formula directly above it. The answer of -1.05 is correct.

Activity 4: Price elasticity of demand

- 1 At a price of £1.20, annual demand is 800,000 units.

For a price rise:

$$\% \text{ change in quantity} = \frac{70,000}{800,000} \times 100\% = 8.75\% \text{ (fall)}$$

$$\% \text{ change in price} = \frac{10\text{p}}{120\text{p}} \times 100\% = 8.33\% \text{ (rise)}$$

$$\text{Price elasticity of demand at price} = \frac{-8.75}{8.22} = -1.05$$