

Topic: Income Elasticity of Demand (2)

Q1	Paychoice, an electronic payment firm, has noticed an increase in the number of monthly transactions that are being processed using their service from 4.6m to 5.4m after customers have received a 15% increase in income. Calculate their YED based on the figures above.
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Your workings:

Q2	Blackport Athletic Football Club is concerned about a fall in demand for season tickets for the coming season. Incomes in the area are expected to fall by 6% with an expected YED for season tickets of (+) 1.4. Last year they had 14,000 season ticket sales. Calculate their expected season ticket sales for the coming season given the data provided.
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Your workings:

Q3	Last year Stella Ferries carried 3.5m passengers between England and France. The average income for the UK is expected to increase by 5% and Stella is expecting passenger numbers to increase by 0.8m for the year. Calculate the expected YED.
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Your workings:

Topic: Income Elasticity of Demand (2)

Q4

The Cotswold tourist board has monitored the number of visitors to the region each year and classified them by their income level.

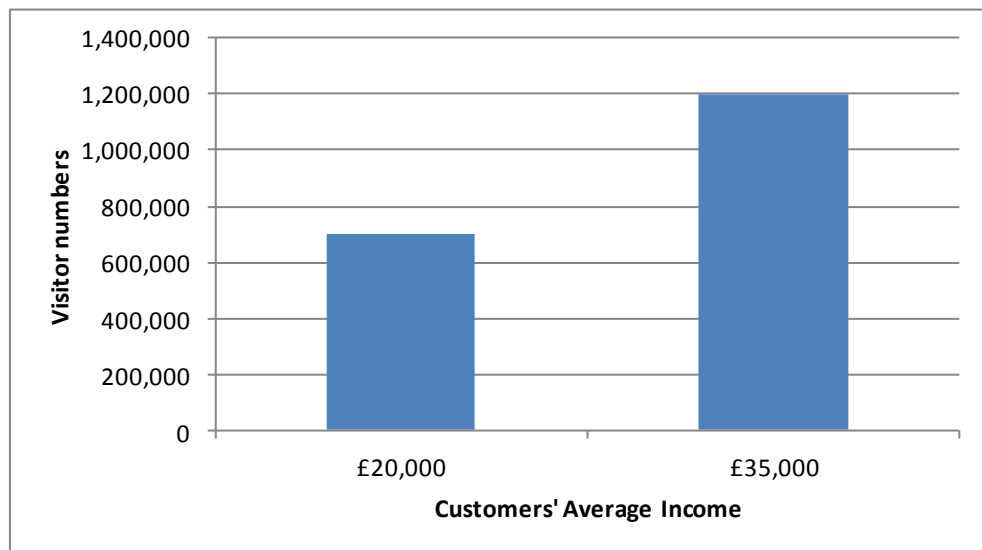


Figure 1 - visitor numbers by income

Calculate the YED for tourism to the Cotswolds based on the data in Figure 1.

Your workings:

Topic: Income Elasticity of Demand (2) - Answers

Q1	Paychoice, an electronic payment firm, has noticed an increase in the number of monthly transactions that are being processed using their service from 4.6m to 5.4m after customers have received a 15% increase in income. Calculate their YED based on the figures above.					
<p>% change in demand $5.4 - 4.6 = 0.8$</p> <p>$(0.8/4.6) \times 100 = 17.4\%$ (rounded)</p> <table><tr><td><u>% change demand</u></td><td><u>17.4%</u></td><td rowspan="2">(+) 1.16</td></tr><tr><td>% change income</td><td>15%</td></tr></table>		<u>% change demand</u>	<u>17.4%</u>	(+) 1.16	% change income	15%
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Q2	Blackport Athletic Football Club is concerned about a fall in demand for season tickets for the coming season. Incomes in the area are expected to fall by 6% with an expected YED for season tickets of (+) 1.4. Last year they had 14,000 season ticket sales. Calculate their expected season ticket sales for the coming season given the data provided.
<p>Next season's forecast for season ticket sales $14,000 \times 0.916 = 12,824$</p>	

Q3	Last year Stella Ferries carried 3.5m passengers between England and France. The average income for the UK is expected to increase by 5% and Stella is expecting passenger numbers to increase by 0.8m for the year. Calculate the expected YED.					
<p>% change in demand $(0.8/3.5) \times 100 = 22.9\%$ (rounded)</p> <table><tr><td><u>% change demand</u></td><td><u>22.9%</u></td><td rowspan="2">(+) 4.58</td></tr><tr><td>% change income</td><td>5%</td></tr></table>		<u>% change demand</u>	<u>22.9%</u>	(+) 4.58	% change income	5%
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Topic: Income Elasticity of Demand (2) - Answers

Q4

The Cotswold tourist board has monitored the number of visitors to the region each year and classified them by their income level.



Figure 1 - visitor numbers by income

Calculate the YED for tourism to the Cotswolds based on the data in Figure 1.

$$\% \text{ change in demand} = 1,200,000 - 700,000 = 500,000$$

$$(500/700) \times 100 = 71\% \text{ (rounded)}$$

$$\% \text{ change in income} = 35,000 - 20,000 = 15,000$$

$$(15/20) \times 100 = 75\%$$

$$\frac{\% \text{ change demand}}{\% \text{ change income}}$$

$$\frac{71\%}{75\%} (+) 0.95 \text{ (rounded)}$$