

Factors Affecting Elasticity

1. _____

- If there are few substitutes for a good, then demand will not likely decrease as price increases. The opposite is also usually true.

2. _____

- Another factor determining elasticity of demand is how much of your budget you spend on the good.

3. _____

- Whether a person considers a good to be a necessity or a luxury has a great impact on the good's elasticity of demand for that person.

4. _____

- Demand sometimes becomes more elastic over time because people can eventually find substitutes.

Elasticity and Total Revenue

- A company's total revenue is the total amount of money the company _____ from selling its goods or services.
- Firms need to be aware of the elasticity of demand for the good or service they are providing.
- If a good has an elastic demand, raising prices may actually _____ the firm's total revenue.

Profit = total revenue - total costs

- Total revenue = _____ x quantity sold
- Total costs = Fixed costs + Variable costs
- _____: a cost that does not change no matter how many items produced.
- _____: a cost that rises or falls depending on the number of items made.

To maximize profits a manufacturer must find the output level (Q_s) that will create the biggest _____ between the Total Revenue and the Total Costs.

According to the law of supply, suppliers will offer more of a good at a higher price.

Quantity Supplied: actual amount a supplier is willing and able to supply at a certain price.

Supply _____: chart showing Q_s and P

Supply _____ graph of the chart (always goes up)

Draw a supply curve to the right =====>