

3. Explain the relationship between price elasticity of demand and total revenue.

4. Suppose that at a price of \$55, 100 units were sold while at a price of \$33, 153 units were sold. Without calculating the price elasticity value, can you determine whether demand is elastic, unit elastic, or inelastic? Explain your answer.

5. Lilly Davis has \$10 per week to spend on any combination of ice cream and candy. The price of an ice cream cone is \$2 and the price of a candy bar is \$1. The table below shows Lilly's utility values. Use the table to answer the questions that follow the table.

Quantity of Ice Cream Cones	Total Utility	Marginal Utility	Marginal Utility per Dollar	Quantity of Candy	Total Utility	Marginal Utility	Marginal Utility per Dollar
0	0			0	0		
1	20			1	20		
2	36			2	35		
3	46			3	45		
4	52			4	50		
5	54			5	53		

- Complete the table by filling in the blank spaces.
- Find the optimal consumption combination. Explain briefly.

6. The table shows bundles Mia can buy with \$10, if pizza costs \$2 per slice and Coke costs \$1 per can.

Slices of Pizza	Cans of Coke	Total spending
0	10	\$10
1	8	\$10
2	6	\$10
3	4	\$10
4	2	\$10
5	0	\$10

(a) Use the graph that illustrates the budget line for the above table.

(b) If the price of pizza falls to \$1 per slice but the price of Coke per can remains the same, how the budget line moves? Show it.

(c) If the price of pizza falls to \$1 per slice and the price of Coke falls to \$0.5 per can, how the budget line moves? Show it.

(d) Explain the income effect and substitution effect.