

- 3** (a) Explain what determines elastic and inelastic price elasticity of supply (PES) **and** consider the extent to which the value of PES may differ between an agricultural good and a manufactured good. [8]
- (b) Firms will often try to estimate elasticity values to judge the possible success of decisions to change prices or to introduce new products.

Assess the extent to which an understanding of income elasticity of demand (YED) may be more useful than cross elasticity of demand (XED) in increasing the income from sales for a firm. [12]

### **Section C**

Answer **one** question.

**EITHER**