

** Methods for measuring elasticity of Demand.

(i) Percentage or proportional method-

$$ed = \frac{\text{Percentage change in demand}}{\text{Percentage change in price}}$$

$$ep / ed = \frac{\frac{\Delta Q}{Q}}{\frac{\Delta P}{P}}$$

$$\therefore ed = \frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$$

Where, ep = elasticity of price

Q = Initial quantity demanded

ΔQ = change in quantity demanded

P = Initial price

ΔP = change in price.

\therefore if $ep > 1$ = Relatively elastic demand.

$ep < 1$ = Relatively inelastic demand.

$ep = 1$ = Unitary elastic demand.