EASY   INTERMEDIATE   HARD

CFA® SAMPLE QUESTION – LEVEL I

Economics

Q: If the number of ice cream demanded increase from 22 to 26 when the price decreases from $3.0 to $2.22, the price elasticity of the demand is:

CORRECT ANSWER:

ⓐ   -0.56

To solve this question, of course you need to know the equation of the Price Elasticity of Demand, which is = percent change in quantity demanded/ percent change in price = % delta Q/% delta P
Where % delta we need to use the average value

Percent change in quantity demanded = (26-22) / [(26+22)/2] = 16.67%
Percent change in price = (2.22-3) / [(2.22+3)/2] = -29.89%
So the Price Elasticity of Demand is = 16.67%/ -29.89% = -0.56

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Candidate Services**

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