

IMPORTANT FORMULAS FOR PRICE ELASTICITY  
TOTAL REVENUE TEST  
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To calculate the first two formulas, you need price and quantity information. In particular, to correctly calculate the midpoint formula you need all four points (P1, P2, Q1, Q2). There is another formula that can be used in lieu of the Percentage and the Midpoint formulas in which you do not need price and quantity information, only information on revenue. This formula is known as the **Total Revenue Test**. Total Revenue is expressed as the number of items sold times the price of each item or  $PXQ$ . The test looks like this:

	Total Revenue Increases	Total Revenue Decreases
Increase in Price	INELASTIC	ELASTIC
Decrease in Price	ELASTIC	INELASTIC

So all you need to know with a price increase or decrease is whether total revenue increased or decreased and you have the knowledge of elasticity for that good.