

## Formula sheet

Formulas in gray will be provided to you, you should know formulas in red.<sup>1</sup>

$$\text{Revenue function: } R(x) = p * x$$

$$\text{Profit function: } P(x) = R(x) - C(x)$$

$$\text{Elasticity of demand: } E(p) = -\frac{p f'(p)}{f(p)}$$

$$\text{Future value of an investment: } B(t) = P\left(1 + \frac{r}{k}\right)^{kt}$$

$$B(t) = P e^{rt}$$

$$\text{Effective interest: } r_e = \left(1 + \frac{r}{k}\right)^k - 1$$

$$r_e = e^r - 1$$

### Interpretation of elasticity

A demand is said to be  $\left\{ \begin{array}{ll} \text{elastic} & \text{if } E(p) > 1 \\ \text{unitary} & \text{if } E(p) = 1 \\ \text{inelastic} & \text{if } E(p) < 1 \end{array} \right.$

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<sup>1</sup>Disclaimer: These are not the only formulas you have to remember.