

4. Peters Sports Ltd sells a range of sports equipment to sport shops. Recently, sales of its golf clubs have been declining and the principal owner, Harry Peters, is not sure whether or not to lower their prices. At the moment he charges his customers £500 for a set of his best clubs and sells 200 per year.

Harry contacted a number of customers and asked them how many sets of the best clubs they would be prepared to buy at different prices. The results are shown in the table below.

Price of a set of the best golf clubs	Estimated sales of sets of the best golf clubs
£400	230
£450	215
£500	200
£550	185
£600	170

- (a) Calculate the price elasticity of demand for a set of Harry's best golf clubs if he decides to lower their price from £500 to £450. (Show your workings.) [3]
- (b) Discuss the view that the theory of elasticity of demand is of little practical use to businesses such as Peters Sports Ltd. [6]

SECTION B

Answer one of the following questions.

5. Consider the view that cuts in taxation are likely to benefit all UK businesses. [20]
6. "The ability to adapt to changes in the external environment is the key to business success." Discuss. [20]
7. "The shareholders of a business are the most important of all of the stakeholders." Discuss. [20]