**Case 2**

You are the Chief Financial Officer of Heavy Buds and are faced with the task of raising sales revenue per the units sold by your firm. Heavy Buds sold 120 million packs of beer annually at $3 per pack. The Chief Executive Officer suggested that you could raise an additional $120 million in annual revenue from any different quantity you sell by raising the price by $1 per pack of beer. What would you say about the prospects for raising $120 million in additional revenue?

Immediately after you heard the decision to raise the price of a pack by $1, you performed a market analysis on the demand Heavy Buds faces and its supply function, you discovered that:

a) The price-elasticity of the demand for beer facing Heavy Buds = -1.

b) Heavy Buds Supply function is perfectly elastic.

Give a precise answer to whether:

a) the suggested price increase by $1 will raise additional revenues by $120 million from whatever units will be sold,

b) why yes and why not, and

c) if the suggested price increase were incorrect, what should the correct one be?

d) verify that your answer is consistent with an elasticity of demand that equals to -1.

Use the mid-point formula to verify your answer.