**Data response 1**

**Questions** (15 marks; 20 minutes)

A firm selling Manchester United pillowcases for £10 currently generates an annual turnover of £500,000. The marketing director is considering a price increase of 10 per cent.

1 Given that the price elasticity of demand of the product is believed to be -0.4, calculate:

a) The old and the new sales volume

b) The new revenue. (7)

2 If the firm started producing mass-market, white pillowcases, would their price elasticity of demand be higher or lower than the Manchester United ones? Explain your reasoning. (8)