



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF MANAGEMENT SCIENCES**

**DEPARTMENT OF MARKETING AND LOGISTICS**

<b>QUALIFICATION:</b> BACHELOR OF MARKETING	
<b>QUALIFICATION CODE:</b> 07BMAR	<b>LEVEL:</b> 7
<b>COURSE CODE:</b> PPM712S	<b>COURSE NAME:</b> PRODUCT PRICING MANAGEMENT
<b>SESSION:</b> JULY 2022	<b>PAPER:</b> THEORY
<b>DURATION:</b> 3 HOURS	<b>MARKS:</b> 100

<b>SECOND OPPORTUNITY EXAMINATION</b>	
<b>EXAMINER(S)</b>	DR. M. CHUFAMA
<b>MODERATOR:</b>	DR. E. SIMATAA

<b>INSTRUCTIONS</b>
<ol style="list-style-type: none"><li>1. Answer <b>ALL</b> the questions.</li><li>2. Write clearly, legibly and neatly.</li><li>3. Number the answers clearly.</li><li>4. Read each question carefully before answering.</li><li>5. Use a non-programmable calculator (<b>STRICTLY NO USE OF CELLPHONE/MOBILE CALCULATOR</b>).</li><li>6. Answers should be rounded off to 1 decimal place.</li></ol>

**THIS EXAMINATION PAPER CONSISTS OF 6 PAGES (Including this front page)**



**SECTION A – MULTIPLE CHOICE QUESTIONS (each question carries 1.5 marks) (15 Marks)**

1. Price is statement of \_\_\_\_\_ because it is the amount of money given in exchange for a product.
  - a) fact
  - b) vision
  - c) value
  - d) mission
  - e) VAT
  
2. In the marketing mix three of the 4Ps add to company cost. Which is the only P directly concerned with producing revenues?
  - a) Promotion.
  - b) Place.
  - c) Product.
  - d) Price.
  - e) None of the above.
  
3. Pricing objectives are deemed to be S.M.A.R.T an acronym which stands for:
  - a) Simple Modern Articulate Reasonable Timeous
  - b) Simple Mean Attainable Reachable Timeframe
  - c) Simple Measurable Attainable Realistic Time-bound
  - d) Same Measurable Achievable Reachable Timely
  - e) Simple Manageable Attainable Realistic Timing
  
4. Cost orientation approach to pricing entails all these factors except:
  - a) Price is an integral part of strategy
  - b) Price is an afterthought to strategy
  - c) Just price based costs
  - d) Price must not cover and earn profit
  - e) Determine price to achieve specific sales objectives
  
5. Why must a product's price be set in line with the marketing strategy?
  - a) It's easier to explain to sales staff
  - b) Profits can be assessed before product is launched
  - c) To avoid confusion in the customer's mind and the market place
  - d) Sales people can advise on a price that is likely to sell well
  - e) Price lists can be printed at the same time as brochures



6. Which objective concerns with management's task when using this objective is to calculate which price-quantity relationship generates the greatest cash revenue?
- Target Return
  - Customer-oriented
  - Competitive
  - Sales-oriented
  - Sales maximisation
7. The following are status-quo objectives except:
- Management's task when using the objective is to calculate which price-quantity relationship generates the greatest cash revenue.
  - Seeks to maintain existing prices to meet the competitor's prices.
  - Often firms competing in an industry with an established price leader simply meet the competitor's price
  - Typically have fewer price wars than an established price competition.
  - Managers regularly visit competitors' stores to ensure that their prices are comparable.
8. A value-based pricing strategy involves which of the following?
- The pricing is product driven; the input comes from calculus and controlling
  - Setting price based on buyers' perceptions of value rather than on seller's cost
  - The company adds up the costs of making the product and sets a price that covers cost plus target profit
  - Price goes up, revenue goes down
  - None of the above
9. The use of price points for reference to different levels of quality for a company's related products is typical of which product-mix pricing strategy?
- Optional-product pricing
  - Captive-product pricing
  - By-product pricing
  - Product line pricing
  - Market-oriented
10. Three key issues with regard to initiating price changes are the circumstances, the tactics and the \_\_\_\_\_.
- bad publicity



- b) raw materials
- c) competitor reactions
- d) length of time since last price change
- e) sales targets

**SECTION B – TRUE/ FALSE QUESTIONS (each question carries 1.5 marks) (15 Marks)**

1. Markup on cost and selling price are the same thing. **TRUE/FALSE**
2. Conversion of markup percent can be calculated based on markup on cost or markup on selling price. **TRUE/FALSE**
3. Psychological pricing is the practice of setting a different price for the same product in different segments to the market. **TRUE/FALSE**
4. Variable pricing traditional includes auctions, stock markets, foreign exchange markets, bargaining, electricity, discounts. **TRUE/FALSE**
5. Yield management is not a variable pricing strategy, based on understanding, anticipating and influencing consumer behavior in order to maximize revenue or profits from a fixed perishable resource such as airline seats or hotel room reservations or advertising inventory. **TRUE/FALSE**
6. When markups are based on the selling price the cost is the rate. **TRUE/FALSE**
7. The markdown percent is the amount of markup divided by the new sale price. **TRUE/FALSE**
8. Congestion pricing is a system of surcharging users of public goods that are subject to congestion through excess demand such as higher peak charges for use at busy times. **TRUE/FALSE**
9. Congestion pricing is the same as congestion charges **TRUE/FALSE**
10. When the markup is based on cost the selling price is the rate. **TRUE/FALSE**

**SECTION C – CALCULATIONS AND ESSAYS**

**QUESTION 1**

**[6 marks]**

In 2012 Swartz Tyre Services had assets of N\$ 6,5 million. In the year company had gross profit N\$ 1,2 million and taxes were at N\$ 400 000. The directors at the beginning of the





year set a target ROI of 10 percent. Calculate the Return On Investment and give a comment on the result. (show all your workings and formula)

**QUESTION 2**

**[28 Marks]**

LonRho Incorporated, Cairns Holdings, Maxim Ltd., and Trade Masters Holdings are four firms competing in an electronics industry. Consider the table below and complete it by calculating the missing figures. (Answers must be rounded-off to 1 decimal place)

Company	Units Sold	Unit Price (N\$)	Total Revenue (N\$)	Unit market share (%)	Revenue market share (%)
LonRho Incorporated	1 500 000	2.00	?	?	?
Cairns Holdings	250 000	3.00	?	?	?
Maxim Ltd.	350 000	4.00	?	?	?
Trade Masters Holdings	750 000	1.00	?	?	?
TOTAL	?		?		

*(2 marks on correct answer)*

**QUESTION 3**

**[6 Marks]**

Namibia Ice-Cream Company has introduced a premium brand of ice-cream for the hot summer season and decides to price it on a cost-plus basis. The company determines its variable costs per unit for producing the premium brand (primarily raw materials and labour) at N\$1,50. The company determines that fixed costs per unit (cost of plant and machinery and administrative costs) are approximately 30% of variable costs per unit. Its profit objective is to achieve a 20% return on variable costs per unit. You as a Marketing Officer in the company you have been asked to perform the following: Calculate the price per litre of ice-cream (show all your workings)



**QUESTION 4****(30 Marks)**

Fill in the missing figures (where there is a question mark) on the table below (show all your workings);

Product	Price (N\$)	Marginal Cost (N\$)	Mark-up on cost (%)	Mark-up on price (%)
A	40	?	900	?
B	90	?	?	80
C	160	100	?	37.5
D	1500	?	200.0	?
E	2800	?	?	40.0
F	?	2700	100.0	?
G	?	6720	?	40.0
H	?	185	8.5	?

*(2 marks on correct answer)*

**END OF SECOND OPPORTUNITY EXAMINATION**



NAMIBIA  
UNIVERSITY  
OF SCIENCE AND  
TECHNOLOGY

P/Beg 13388  
Windhoek  
Namibia

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DEPARTMENT OF RESEARCH  
AND LOGISTICS

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