NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF MARKETING AND LOGISITICS

QUALIFICATION: BACHELOR OF MARKETING	
QUALIFICATION CODE: 07BMAR	**LEVEL:** 7
COURSE CODE: PPM712S	**COURSE NAME:** PRODUCT PRICING MANAGEMENT
SESSION: JUNE 2022	**PAPER:** THEORY
DURATION: 3 HOURS	**MARKS:** 100

FIRST OPPORTUNITY EXAMINATION	
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MODERATOR:	DR. E. SIMATAA

INSTRUCTIONS

1. Answer **ALL** the questions in all the sections.
2. The examination paper has three (3) sections (Section A, B and C).
3. Write clearly, legibly and neatly.
4. Number the answers clearly.
5. Read each question carefully before answering.
6. Use a non-programmable calculator (STRICTLY NO USE OF CELLPHONE/MOBILE CALCULATOR).
7. Answers should be rounded off to one decimal place.

THIS EXAMINATION PAPER CONSISTS OF 7 PAGES (Including this front page)

SECTION A: TRUE OR FALSE [20 MARKS]

Choose the correct answer; 2 marks will be awarded for each correct answer (2 marks x 10 = 20marks).

1. Under monopoly market, the market consists of a few sellers who are highly sensitive to each other's pricing and market strategies. TRUE/FALSE

2. When initiating price changes the company must not anticipate possible reactions from both buyers and competitors. TRUE/FALSE

3. Monopoly or lack of regulation means one can always set prices at will. TRUE/FALSE

4. Price discrimination is the practice of charging different prices in different markets due to their different price sensitivity. TRUE/FALSE

5. In setting the price of a product by its value, the company is following customer perceived value of a product or service. TRUE/FALSE

6. Pricing is considered key within the capitalist system of the free economy. TRUE/FALSE

7. Not for Profit Organisations do not seek to make profits, instead they seek a return on their activities by changing or positively impacting communities. TRUE/FALSE

8. Selection of advertising media determined by the target audience to be reached, may necessitate the use of price in the advertisement. TRUE/FALSE

9. Firms use predatory pricing to maximise profits. TRUE/FALSE

10. Price must be recognised as a statement of cost only and not as a statement of value. TRUE/FALSE

SECTION B: MULTIPLE CHOICE **[30 MARKS]**

Choose the correct answer; 2 marks will be awarded for each correct answer (2 marks x 15 = 30marks)

1. 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

2. Which objective concerns management's task to calculate which price-quantity relationship generates the greatest revenue?
   a) Target Return
   b) Customer-oriented
   c) Competitive
   d) Sales-oriented
   e) Sales maximisation

3. A value-based pricing strategy involves which of the following?
   a) The pricing is product driven; the input comes from calculus and controlling
   b) Setting price based on buyers' perceptions of value rather than on seller's cost
   c) The company adds up the costs of making the product and sets a price that covers cost plus target profit
   d) Price goes up, revenue goes down
   e) None of the above

4. Three key issues with regard to initiating price changes are the circumstances, the tactics and the______________.
   a) bad publicity
   b) raw materials
   c) competitor reactions
   d) length of time since last price change
   e) all of these

5. A price reduction to buyers who buy in large volumes is called a:
   a) quantity discount
   b) cash discount
   c) seasonal discount
   d) trade discount
   e) None of the above

6. Marketers are sometimes accused of deceptive practices that lead consumers to believe they will get more value than they actually do, this includes practices such as falsely advertising "factory" or "wholesale" prices or a large price reduction from a phony high retail price. What do we refer to these practices?
   a) Deceptive promotion
   b) Deceptive packaging
   c) Deceptive pricing
   d) Deceptive cost structure
   e) None of the above

7. Full cost pricing and marginal cost pricing are two examples of:
   a) Marketing-oriented pricing.
   b) Cost-oriented pricing.
   c) Tactical pricing.
   d) Product line pricing.
   e) Value pricing.

8. The short-term practices of price fixing, predatory pricing and deceptive pricing can be prevented by adopting:
   a) High profitability objectives
   b) Sales orientation
   c) New product introductions
   d) Ethical marketing
   e) Price skimming

9. Excessive demand for a product in an industry is likely to lead to:
   a) Supplier bankruptcies
   b) Price wars
   c) Price increases
   d) Falling sales
   e) Increased advertising

10. If Moore Motors buys at cost a truck for N$4,000 and plans to sell it for N $6,000, the percent markup on cost is:
    a) 33 1/3 percent.
    b) 40 percent.
    c) 50 percent
    d) 60 percent.
    e) None of the above

11. When small changes in price result in substantial changes in the number of units purchased, demand is considered to be:
    a) Inelastic.
    b) Elastic.

c) Unitary.
d) Marginal.
e) None of the above.

12. Companies set ______________ as their major objective if they are troubled too much by capacity, heavy competition, or changing consumer wants.
    a) current profit maximization
    b) survival
    c) product quality leadership
    d) market share leadership
    e) none of these

13. Floor of product's price is set with help of.
    a) Demand
    b) Supply
    c) Discount and allowance
    d) Cost
    e) None of these

14. Throughout most of history, prices were set by ____________.
    a) negotiation between buyers and sellers
    b) ruling monarchs
    c) governments and regulatory agencies
    d) fixed-price policies constructed by sellers
    e) None of these

15. All of the following are among the internal factors that affect pricing EXCEPT:
    a) research and development
    b) marketing mix strategy
    c) globalization
    d) the company's marketing objectives.
    e) The organisation

SECTION C: CALCULATIONS & ESSAY QUESTIONS [50 MARKS]

QUESTION 1 [12 marks]

The Chief Executive Officer of Tambula Fresh Aquifer Water Company which recently opened its plant in Tsumeb has employed you as its new Marketing Manager. The CEO has requested you to draft a presentation paper to the board of directors on the six steps to follow when setting prices. Briefly outline the six steps to be followed when setting prices.

QUESTION 2 (8 Marks)

Paulus Hamata is a project coordinator at Tura Paints, a large Katutura-based painting contractor. Hamata has asked you to complete an analysis of profit margins earned on a number of recent projects. Unfortunately, your predecessor on this project was abruptly transferred to Rundu, leaving you with only sketchy information on the firm's pricing practices. Use the available data to complete the following table (**ANSWERS SHOULD BE ROUNDED-OFF TO 1 DECIMAL PLACE)**

Price (N$)	Marginal Cost (N$)	Mark-up on cost (%)	Mark-up on price (%)
240	72	?	?
680	272	?	?
2800	1680	?	?
3600	2700	?	?

QUESTION 3 [8 Marks]

5.1 Pure or perfect competition is an everyday thing in the real world and to pricing, but the model is important because it helps analyse industries with characteristics that are similar. Provide **any four (4)** characteristics of pure competition.

QUESTION 4 **(6 marks)**

Mike Shop ordered 50 mountain bikes at a total cost of N$2000 each. Mike Shop intends to sell the bikes at N$2500 each. What is Mike Shop's dollar markup? What is the percent markup on selling price? Calculate the selling price using the dollar mark up and percent mark up on selling price. (show all your workings)

QUESTION 5 **(6 marks)**

Mike Shop ordered 50 mountain bikes at a total cost of N$1500 each. Mike Shop intends to sell the bikes at N$2500. What is Mike Shop's dollar markup? What is the percent markup on cost? Calculate the cost using the dollar mark up and percent mark up on cost. (show all your workings)

QUESTION 6

Mr. John has a small plot which specializes in crop farming. Mr. John has managed 300 heads of cabbages in this month's harvest and expects that 10% can become stale and not saleable. The accumulated cost of producing one head of cabbage is N$5. Mr. John wants a 40% markup on cost. What should Mr. John charge for each head of cabbage to reach his target profit? (show all your workings) **(10 marks)**

END OF FIRST OPPORTUNITY EXAMINATION