



ΠΑΜΙΒΙΑ UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF MARKETING AND LOGISTICS

QUALIFICATION: BACHELOR OF MARKETING	
QUALIFICATION CODE: 07BMAR	LEVEL: 7
COURSE CODE: PPM712S	COURSE NAME: PRODUCT PRICING MANAGEMENT
SESSION: NOVEMBER 2019	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100
FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	MR. C. KAZONDOVI MR. M. CHUFAMA
MODERATOR:	MR. A. M. MATONGELA

INSTRUCTIONS

1. Answer ALL the questions.
2. Write and Number your answers clearly and neatly.
3. Use the table provided on page [5] to answer Questions 6:
Detach and insert into your answer booklet.
4. Write as legible and as precise as possible.
5. Indicate your class lecturer's name on your answer sheet.
6. Read each question carefully.
7. Always round off your calculations to 2 (two) decimal places.
8. Use a non-programmable calculator (STRICTLY NO USE OF CELLPHONE/MOBILE CALCULATOR).

THIS QUESTION PAPER CONSISTS OF 5 PAGES (Including this front page)

Question 1**[20 marks]**

Sales-orientated Pricing Objectives are based either on market share or on Dollar (N\$) values or unit sales. Consider Table 1 below showing data on five firms.

Table 1

Firm	Units Sold	Unit price (R/N\$)	Total Revenue (R/N\$)	Unit market share (%)	Revenue market share (%)
A	850 250	1.50	?	?	?
B	150 300	4.50	?	?	?
C	180 110	4.00	?	?	?
D	650 455	1.80	?	?	?
E	355 650	3.50	?	?	?
Total	?	?	?	?	?

You are required:

1.1 To complete the table by calculating the missing values. (10 marks)

1.2 Critically comment on your findings, this should give an insight into the Objectives of the different competing firms. (10 marks)

Question 2**[15 marks]**

You are a Marketing Manager for Pujani Clothing. Assume that in 2018 Pujani Clothing had assets of N\$ 3.75 million, where you as the Marketing Manager had personal investment into the company of N\$1.5 million. The Gross profits was N\$ 1.2 million, and a target ROI of 12 per cent. Total taxes were N\$ 200 000. You are required to:

2.1 Calculate the actual Return on Investment (ROI) and Return on Owners Equity (ROE) (10 marks)

2.2 Comment on the results arrived at in 2.1. (5 marks)

Question 3**[20 marks]**

Businesses may benefit from lowering or raising prices, depending on the needs and behaviours of customers and clients in the particular market. Finding the right pricing strategy is an important element in running a successful business. A business can use a variety of pricing strategies when selling a product or service.

Some Pricing strategies/models are very similar if not the same in their make-up, but can be distinguished quite clearly in how they are used by a particular Company. Clearly differentiate between these Pricing Strategies/Models with examples in how they are used:

- 3.1 Odd Pricing vs Psychological Pricing (4 marks)
- 3.2 Decoy vs Premium Decoy Pricing (4 marks)
- 3.3 Predatory Pricing vs Limit Pricing (4 marks)
- 3.4 Time-based Pricing vs Price Discrimination (4 marks)
- 3.5 Yield Management vs Variable Pricing (4 marks)

Question 4

[10 marks]

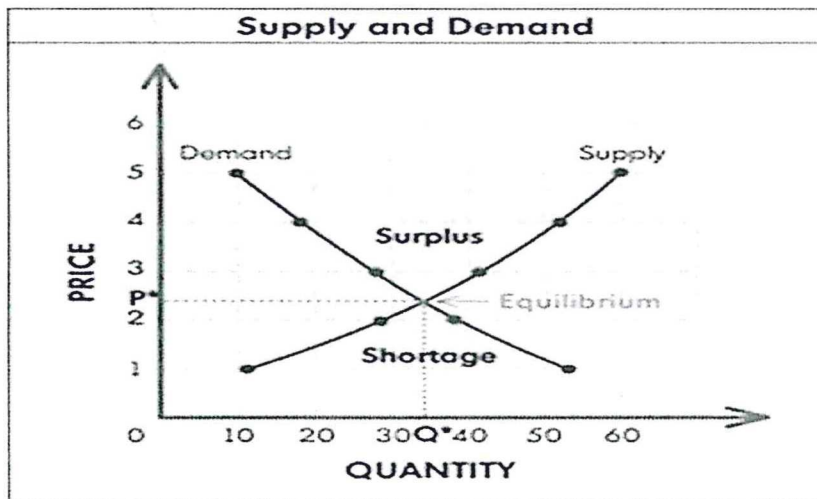


Figure 1

Figure 1 shows a simple Supply and Demand Curve Graph, based on this graph answer questions below as it relates to Product Pricing.

- 4.1 What is the difference between Equilibrium Price and Break-even Price? Clearly distinguish with examples. (4 marks)
- 4.2 Why does the Supply Curve slope upwards, from a pricing perspective? (3 marks)
- 4.3 How is Price affected by Surpluses and Shortages? (3 marks)

Question 5

[20 marks]

- 5.1 A computer software retailer used a markup rate of 40%. Find the selling price of a computer game that cost the retailer N\$ 25-00. (2 marks)
- 5.2 A golf shop pays its wholesaler N\$ 40-00 for a certain club, and then sells it to a golfer for N\$ 75-00. What is the markup percentage? (2 marks)
- 5.3 A shoe store uses a 40% markup on cost. Find the cost of a pair of shoes that sells for N\$ 63-00. (2 marks)
- 5.4 An item originally priced at N\$55-00 is marked 25% off. What is the sale price? (2 marks)

- 5.5 An item that regularly sells for N\$425.00 is marked down to \$318.75.00. What is the discount percentage? (2 marks)
- 5.6 An item is marked down 15%; the sale price is N\$127.46. What was the original price? (2 marks)
- 5.7 Growing up, you lived in a tiny country village. When you left for University, the population was 840. You recently heard that the population has grown by 5%. What is the present population? (2 marks)
- 5.8 Your overweight friend diets and goes from 125 kg to 110 kg. What was his percentage weight loss? (2 marks)
- 5.9 An item listed at N\$150.00 is subject to the discount series 20%, 10%, and 5%. Determine the net price. (2 marks)
- 5.10 Tom is a bit broke and has listed a pair of sunglasses for N\$136 less 30%. His friend Jack lists the same model for N\$126 less 20%, less an additional 15%. What additional percentage of discount must Tom give to meet Jack's price? (2 marks)

Question 6

[15 marks]

True or False Questions

Use the table provided on [page 5] to answer these questions, detach and insert it into your answer booklet. 1.5 mark will be awarded for each correct answer.

- 6.1 Mark-up on cost and selling price is not the same thing.
- 6.2 Conversion of markup percent cannot be calculated based on markup on cost or markup on selling price.
- 6.3 The fundamental relationship that as price increases the quantity demanded decreases, holds true for most products.
- 6.4 Variable pricing is not really related to auctions, stock markets, foreign exchange markets, bargaining, electricity, discounts.
- 6.5 Status-quo pricing seeks to maintain existing prices or to meet the competition's prices.
- 6.6 Rather than maximising profits, many firms strive for profits that are satisfactory to shareholders and management – in other words a level of profits consistent with the level of risk the firm faces.
- 6.7 The markdown percent is the amount of markup is multiplied by the new sale price.
- 6.8 Pricing objectives are used to designate the role of price in the organisation's marketing and strategic plans.
- 6.9 Marginal analysis deals with what happen to costs and revenues at the margin: when production (quantity) or sales change by just one unit.
- 6.10 Average revenue is the average amount of income received from selling one additional unit of the product.

THE END

ANSWER SHEET

Question 6

[Total: 10 X 1.5 = 15 Marks]

	<u>True</u>	<u>False</u>
6.1		
6.2		
6.3		
6.4		
6.5		
6.6		
6.7		
6.8		
6.9		
6.10		

STUDENT NAME & STUDENT NO: _____

21/10/2029