



**NAMIBIA 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: JANUARY 2020	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
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MODERATOR:	MR. A. M. MATONGELA

<p style="text-align: center;">INSTRUCTIONS</p> <ol style="list-style-type: none">1. Answer ALL the questions.2. Write and Number your answers clearly and neatly3. Use the tables provided on page [8] to answer Section A and Section B. Detach and insert into your answer booklet4. Indicate your class lecturer's name on your answer sheet.5. Read each question carefully before answering.6. Always round off your calculations to 2 (two) decimal places.7. Use a non-programmable calculator (STRICTLY NO USE OF CELLPHONES/ MOBILE CALCULATOR).
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THIS QUESTION PAPER CONSISTS OF 8 PAGES (Including this front page)

SECTION A: TRUE OR FALSE

[20 MARKS]

Use the table provided on page [8] to answer these questions, detach and insert into your answer booklet. 2 marks will be awarded for each correct answer (2marks 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]

Use the table provided on page [8] to answer these questions, detach and insert into your answer booklet. 2marks will be awarded for each correct answer (2marks 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?
- Deceptive promotion
 - Deceptive packaging
 - Deceptive pricing
 - Deceptive cost structure
 - None of the above
7. Full cost pricing and marginal cost pricing are two examples of:
- Marketing-oriented pricing.
 - Cost-oriented pricing.
 - Tactical pricing.
 - Product line pricing.
 - Value pricing.
8. The short-term practices of price fixing, predatory pricing and deceptive pricing can be prevented by adopting:
- High profitability objectives
 - Sales orientation
 - New product introductions
 - Ethical marketing
 - Price skimming
9. Excessive demand for a product in an industry is likely to lead to:
- Supplier bankruptcies
 - Price wars
 - Price increases
 - Falling sales
 - 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:
- 33 $\frac{1}{3}$ percent.
 - 40 percent.
 - 50 percent
 - 60 percent.
 - 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:
- Inelastic.
 - 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

[5 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 actual return on investment and give a comment on the result.

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. Comment on your findings. (Show all workings and answers must be rounded-off to 2 decimal places).

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	?		?		

QUESTION 3**[5 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.

QUESTION 4**[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.

END OF SECOND OPPORTUNITY EXAMINATION

Student Number:

Course code:

Course title:

SECTION A: PUT AN 'X' ON THE CORRECT ANSWER TO THE QUESTION		
Question No.	TRUE	FALSE
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

SECTION B: PUT AN 'X' ON THE CORRECT ANSWER TO THE QUESTION					
Question No.	A	B	C	D	E
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					