Quiz (4) for Principles of Marketing (Sessions 12-13)

Major________ Class_________ Name_________ Score_________

I. Fill in the blanks with either "T" or "F" to mean "True" or "False" as your judgment for the following statements:

( ) 1. In monopolistic competition, buyers and sellers trade over a range of prices.

( ) 2. Asking consumers how much they would pay for each additional product benefit is consistent with setting going-rate prices.

( ) 3. Variable costs vary with the level of production.

( ) 4. On a breakeven chart, the firm will breakeven at a volume of sales at which total profits exactly equal total costs.

( ) 5. Markups are generally higher on products that have an elastic demand.

( ) 6. A firm that is practicing captive product pricing may charge a low price on the main product but set a high markup on the supplies.

( ) 7. Price bundling considers the impact of consumer perceptions as well as traditional economic influences.

( ) 8. The use of a "2/10, net 30" pricing is an example of a quantity discount pricing strategy.

( ) 9. Trade-in allowances are price reductions given for turning in an old item when buying a new one.

( ) 10. In promotional pricing, companies temporarily price their products below list price.

II. Choose one best answer out of the given choices:

1. When a firm charges a high price to cover the cost of superior materials and a high R&D budget, it is typically pursuing which of the following pricing objectives?
   a. survival b. current profit maximization c. market-share leadership
   d. product-quality leadership e. All of the above

2. The drop in the average cost of production as a function of the accumulated production experience is called the:
   a. long-run average cost curve b. short-run average cost curve
   c. experience curve d. profit curve e. application-based curve

3. In perceived value pricing.
   a. a high price set be the seller is used to appeal to several different market segments.
   b. nonprice marketing mix variables are used to build up demand.
   c. a low price is set by the seller to offset reduced application of other marketing mix variables.
   d. a low price set by the seller is used to impart perceived value.

e. both (C) and (D)

4. In a normal demand curve, demand and price are:
   a. equal
   b. inversely related.
   c. independent of one another.
   d. maintaining a constant relationship.
   e. used to calculate profit.

5. Which of the following statements about the price elasticity of demand is true?
   a. Buyers are less price sensitive when the product they are buying is unique.
   b. Buyers are less sensitive when the product is high in quality. prestige or exclusiveness.
   c. buyers are less price sensitive when substitute products are hard to find or when they cannot easily compare the quality of substitutes.
   d. only (A) and (B)
   e. all of the above

6. All of the following conditions support market skimming pricing except when:
   a. the product's quality and image can support a higher price.
   b. there are enough buyers who want the product at the higher price.
   c. the costs of producing a small volume are so high that they cancel the advantage of charging a high price.
   d. competitors cannot enter the market easily with a lower priced product.
   e. All of the above are conditions that support market-skimming pricing.

7. Management determines price steps for different combinations of features for related products in which type of product-mix pricing strategy?
   a. product-line pricing b. optimal-product pricing c. captive-product pricing
   d. by-product pricing e. product-bundle pricing

8. Under which of the following does the seller agree to pay all of the freight cost to a customer?
   a. zone pricing
   b. Freight absorption pricing
   c. FOB origin pricing
   d. basing-point pricing
   e. both (A) and (D)

9. Which of the following is not necessary for price discrimination to work:
   a. the cost of segmenting the market should not exceed the extra revenue obtained from price discrimination.
   b. The various segments of the market must show identical intensities of demand.
   c. competitors should not be able to undersell the firm in the segment being charged

the higher price.

d. Members of the segment paying the higher price should not be able to turn around and resell the product to the segment paying the high price.

e. none of the above

10. The IFSO Corporation sells to all buyers at the same factory price. the firm loads the goods on a common carrier for the customer who pays actual freight costs to his destination and assumes title as soon as the goods are loaded. IFSO uses:

a. basing point pricing.

b. uniform delivered pricing.

c. zone pricing.

d. FOB origin pricing.

e. postage stamp pricing.

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