Name: _____   **Date:** _____

Chapter 27: Base knowledge worksheet

Full sentence answers are **not** required: SL 38 marks, 50 minutes

1   List **four** factors that may be taken into consideration when deciding the selling price of a product or service.   **(4)**

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2   The cost of making a product is $10. Cost plus 40% pricing is used. Calculate the selling price.   **(2)**

3   **a**   How would you calculate the selling price of a product using absorption cost pricing?   **(2)**

         b   What is the biggest problem with using the above calculation in reality?   **(2)**

4   When may penetration pricing be used?   **(1)**

5   Under which **two** circumstances would a business use price skimming?   **(1)**

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6 **(HL)** What does 'marginal cost' mean? **(2)**

7 **(HL)** Construct an equation to represent contribution. **(2)**

Contribution =

8 **(HL)** What does the 'contribution' contribute towards? **(1)**

9 **(HL)** If a business with spare capacity has a profit after paying fixed costs, why might it decide to sell additional items at a lower sales price? **(2)**

10 **(HL)** What is the difference between competition (going rate) pricing and destroyer pricing? **(2)**

11 **(HL)** Under what circumstances might a business use price discrimination? **(2)**

12 **(HL)** Explain an example of a loss leader product in a supermarket. **(2)**

13 **(HL)** Give **two** reasons why a business may use promotional pricing. **(2)**

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14 **(HL)** Give an example of psychological pricing. **(1)**

15   **(HL)** In a supply and demand graph, what does demand mean?   **(2)**

16   **(HL)** Give the equation for price elasticity of demand (PED).   **(2)**

PED =

17   **a (HL)** How would the PED equation given in your previous answer be adapted to calculate
cross elasticity of demand (XED)?   **(2)**

b (HL) For what type of products would a XED be calculated?   **(1)**

18   **(HL)** How would the PED equation be changed in order to calculate income elasticity of
demand (IED) or advertising elasticity of demand (AED)?   **(1)**

19   **(HL)** PED is calculated to be 1.4. What does this mean?   **(2)**