2.4 Pricing strategies: 10-minute Pack

AQA 8132 · Calculator allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer ALL questions in the spaces provided. Show your working for every calculation: method marks are available even if your final answer is wrong. Vantage Audio, used throughout this pack, is a fictional business.

1 State two factors, other than production cost, that Vantage Audio should consider when setting the price of Vantage Buds.

(Total for Question 1 is 2 marks)

2 Vantage Buds cost £18.00 per unit to manufacture. Vantage Audio adds a markup of 40% to set its selling price.
Calculate the selling price using cost-plus pricing. Show your working.

(Total for Question 2 is 2 marks)

3 Explain one advantage and one disadvantage of Vantage Audio using cost-plus pricing.

(Total for Question 3 is 3 marks)

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Mark scheme · 2.4 Pricing strategies: 10-minute Pack

Question 1

any one factor, e.g. competitors' prices	**B1**
any second distinct factor, e.g. what customers are willing to pay, the product's positioning/brand image, or the stage of the product life cycle	**B1**

Answer: Any two, e.g. competitors' prices and what customers are willing to pay.

Question 2

18.00 x 1.40 seen, or 18.00 + (18.00 x 40%) seen	**M1**
£25.20 cao	**A1**

Answer: £25.20.

Question 3

identifies an advantage, e.g. it is simple to calculate and guarantees a profit margin is built into every unit sold	**B1**
identifies a disadvantage, e.g. it ignores what competitors charge and what customers are actually willing to pay	**B1**
develops the disadvantage, e.g. so the price set could be too high (losing sales to cheaper rivals) or too low (leaving profit on the table)	**B1**

Answer: Advantage: it is simple and guarantees a margin on every unit. Disadvantage: it ignores competitors and customer willingness to pay, so the price could end up too high or too low.

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