

Name: _____ Date: _____

Chapter 27: Base knowledge worksheet

Full sentence answers are **not** required: SL 12 marks, 12 minutes

HL 12 + 26 marks, 38 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)