

**MET2**  
**MANUFACTURING ENGINEERING TRIPOS PART IIA**  
**Paper 5 Answer Sheet**  
**Section A**  
**1. ARUN**

(a)  
**Profit and Loss Account for the year ended 30 April 2013**

	£
Revenue	230,000
Cost of sales (W1)	<u>(94,550)</u>
Gross profit	135,450
Administrative expenses (W2)	(65,500)
Distribution costs (W3)	<u>(31,550)</u>
Operating profit	38,400
Finance costs (£300+£135) (W4))	<u>(435)</u>
Profit for the year	<u>37,965</u>

(b)  
**Balance Sheet as at 30 April 2013**

	£
<i>Non-current assets</i>	
Property, plant and equipment (£72,000-£25,000-£7,050)	39,950
<i>Current assets</i>	
Inventories (W1)	16,250
Trade receivables (W5)	16,750
Prepayment	<u>400</u>
Total assets	<u>73,350</u>
<i>Capital Account</i>	
Balance at 1 May 2012	30,000
Profit for the year	37,965
Less: Cash drawings	(18,000)
Goods for own use	<u>(5,000)</u>
	44,965
<i>Non-current liabilities</i>	
6% Loan	3,000
<i>Current liabilities</i>	
Trade payables	17,500
Accruals (£135 (W4)+ £350 (W3))	485
Bank overdraft	<u>7,400</u>
	<u>73,350</u>

**Workings:****(W1) Cost of sales**

	£
Opening Inventory	18,750
Purchases for sale (£90,000-£5,000 own use)	85,000
Depreciation (£72,000-£25,000)x 15%	7,050
Closing inventory (£17,500-(£5,000-£3,750))	<u>(16,250)</u>
	<u>94,550</u>

**(W2) Administrative expenses**

	£
Per trial balance	65,800
Irrecoverable debt (W5)	600
Reduction in allowance for receivables (W5)	(500)
Less: Insurance prepaid	<u>(400)</u>
	<u>65,500</u>

**(W3) Distribution costs**

	£
Per trial balance	31,200
Freight and delivery	<u>350</u>
	<u>31,550</u>

**(W4) Loan interest accrual**

	£
£3,000 x 6% x 9/12	135

**(W5) Trade receivables**

	£
Per trial balance	20,000
Allowance per trial balance	(3,150)
Reduction in allowance required	500
Irrecoverable debt (W2)	<u>(600)</u>
	<u>16,750</u>

(c) Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

The expense of depreciation recognises that non-current assets are used up in the process of generating revenue

- (i) The company makes capital investments in non-current assets (*capital expenditures*)
- (ii) The assets' loss of value is recognised as an operating expense (depreciation) and also recognised on the balance sheet, because the value of the assets will now be reduced.

Depreciation achieves two things: spreads the cost of the asset charged to P&L over the N years of expected use and reflects its declining value in the Balance Sheet each year.

The straight-line method is simple to use but subject to criticism that the true depreciation is faster than this.

The reducing balance method give faster depreciation based on a constant percentage of the net book value being charged. The charge against profit declines each year and the net book value declines more quickly than in the straight line method. The charge against profit may be stable as the cost of repairs of the asset may well rise with its age.

*Examiner's comments:*

*Candidates were good in answering parts (c). Part (a) and (b) was less well answered. On average the answers to part (a) and (b) was reasonably satisfactory but with more variation in terms of quality. In particular, students found it difficult to calculate the cost of goods sold as well as the treatment for the owner taking goods for own use.*

## 2. SANKEY

Statement of cash flows for the year ended 31 March 2016

	£'000	£'000
<b>Cash flows from operating activities</b>		
Profit before tax	11,650	
Adjustments for:		
Depreciation charge	500	
Profit on sale of plant and equipment	(300)	
Investment income	(320)	
Interest payable	2,150	
Increase in inventory (£27,500-25,500)	(2,000)	
Increase in trade receivables (£37,500-£33,000)	(4,500)	
Decrease in trade payables (£31,900-£29,450)	(2,450)	
Cash generated from operations	<u>4,730</u>	
Interest paid	<u>(2,150)</u>	
		2,580
<b>Cash flow from investing activities</b>		
Investment income	320	
Cash purchase of property, plant and equipment (W1)	(3,800)	
Disposal proceeds of plant and equipment (W2)	<u>1,100</u>	
		(2,380)
<b>Cash flows from financing activities</b>		
Proceeds of loan raised (W3)	3,500	
Proceeds of share issue (£1,000+£610) (W4)	<u>1,610</u>	
		<u>5,110</u>
		5,310
Cash and cash equivalents b/fwd		<u>1,250</u>
Cash and cash equivalents c/fwd		<u>6,560</u>

**(W1) PPE additions in the year**

	£'000
PPE CV bal b/fwd	70,500
Less: CV of disposals	(800)
<b>Less: depreciation charge</b>	<b>(500)</b>
<b>Cash paid for PPE additions</b>	<b>3,800</b>
PPE CV bal c/fwd	<u>73,000</u>

**(W2) Gains on disposal of plant and equipment**

	£'000
PPE CV of disposal	800
<b>Add: Profit on disposal per P/L</b>	<b>300</b>
<b>Disposal proceeds received</b>	<b>1,100</b>

**(W3) Loan finance – additional loan finance raised**

	£'000
10% loan liability b/fwd	20,000
<b>Cash received – additional loan finance</b>	<b>3,500</b>
10% loan liability c/fwd	<u>23,500</u>

**(W4) Issues of shares in the year**

	£'000
Balance b/fwd	10,000
<b>Proceeds of share issue in the year</b>	<b>1,610</b>
Balance c/fwd	<u>11,610</u>

(b) Objectives of the statement of cash flows:

(1) Report cash generation and cash absorption for a period by highlighting

(a) the significant components of cash flow

(b) and facilitates comparison of the cash flow performance of different businesses

(2) Provide information that assists in the assessment of their liquidity, solvency and financial adaptability

The pros of the indirect method of cash flow statement are:

(i) Sheds light on the quality of reported earnings by reconciling earnings with net cash position

(ii) Reveals link between profits and cash, hence demonstrates ability to convert profits into cash

(iii) Analyses the sources of cash inflow and outflow from operating activities, investing activities and financing activities.

The cons of the indirect method of preparing the cash flow statement are:

- (i) Provides less clarity by setting out operating cash receipts and payments
- (ii) Accruals adjustments made, hence more susceptible to manipulation than the direct method

*Examiner's comments:*

*Students were able to answer question (b) very well and a reasonably well. The better students were able to calculate the amount paid for as well as the profit on sale of the plant and equipment in (a). The answers to question b were also reasonably well answered.*

### 3. ANCHOR CO

(a)

#### Option 1 – Replace the machine

Year	Capital costs and maintenance	Contribution (£)	Net cash flow (£)	Discount factors	Present value (£)
0	450,000		(450,000)	1.000	(450,000)
1	25,000	150,000	125,000	0.8929	111,607
2	$25,000 \times 1.075 = 26,875$	170,000	143,125	0.7972	114,098
3	$25,000 \times 1.075^2 = 28,891$	190,000	161,109	0.7118	114,674
4	$25,000 \times 1.075^3 = 31,057$	210,000	178,943	0.6355	113,722
5	$25,000 \times 1.075^4 = 33,387$	220,000	186,613	0.5674	105,889
	Net present value				<u>109,990</u>

#### Option 2 – Overhaul the machine

Year	Capital costs and maintenance	Contribution (£)	Net cash flow (£)	Discount factors	Present value (£)
0	275,000		(275,000)	1.000	(275,000)
1	40,000	130,000	90,000	0.8929	80,357
2	$40,000 \times 1.105 = 44,200$	145,000	100,800	0.7972	80,357
3	$40,000 \times 1.105^2 = 48,841$	155,000	106,159	0.7118	75,562
4	$40,000 \times 1.105^3 = 53,969$	160,000	106,031	0.6355	67,385
5	$40,000 \times 1.105^4 = 59,636$	160,000	100,364	0.5764	56,949
	Net present value				<u>85,610</u>

(b) Internal rate of return calculations

Year	Discount factor (20%)	Replace the machine		Overhaul the machine	
		Net cash flow	Present value	Net cash flow	Present value
0	1.0000	(450,000)	(450,000)	(275,000)	275,000
1	0.8333	125,000	104,167	90,000	75,000
2	0.6944	143,125	99,393	100,800	70,000
3	0.5787	161,109	93,234	106,159	61,435
4	0.4823	178,943	86,296	106,031	51,134
5	0.4019	186,613	74,996	100,364	40,334

		<b>8,085</b>			<b>22,902</b>
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IRR of replacement=  $12\% + (109,990 / (109,990 + 8,085)) \times (20\% - 12\%) = 12 + 8.6 = 20.6\%$

IRR of overhaul=  $12\% + (85,610 / (85,610 + 22,902)) \times (20\% - 12\%) = 12 + 10.9 = 22.9\%$

(c) Both methods of investment appraisal use relevant cash flows to appraise the alternative investments and take account of the time value of money.

The NPV is the profit in present value terms. If the cost of capital is 12%, the machine should be replaced, since this option has the higher NPV.

The IRR is the percentage return of the investment, taking into account the time value of money. The higher return, the better. Overhauling the current machine has a higher IRR and so should be chosen using this appraisal technique.

Overall to maximize shareholder wealth, the project with the highest NPV should be chosen which means that, provided the outcomes are not risky and 12% is the appropriate cost of capital, the machine should be replaced.

*Advantages and disadvantages of using NPV and IRR:*

<i>Technique</i>	<i>Advantages</i>	<i>Disadvantages</i>
<b>Net present value</b>		
Discounts future expected cash flows by cost of capital.	<ol style="list-style-type: none"> <li>1. Takes into account the time value of money.</li> <li>2. Looks at all cash flows.</li> </ol>	<ol style="list-style-type: none"> <li>1. Need to estimate a specific discount rate.</li> <li>2. All cash flows assumed to be at end of year.</li> <li>3. Can be complex.</li> </ol>
<b>Internal rate of return</b>		
The discount rate which gives a net present value of zero.	<ol style="list-style-type: none"> <li>1. Takes into account time value of money.</li> <li>2. Looks at all cash flows.</li> <li>3. Determines break-even rate of return.</li> </ol>	<ol style="list-style-type: none"> <li>1. No need to estimate a specific discount rate.</li> <li>2. Difficult to understand.</li> <li>3. In certain circumstances may give misleading results (e.g., non-conventional cash flow)</li> <li>4. Complex.</li> </ol>

*Examiner's comments:*

*Part (a) and (b) required students to assess the investment opportunity using the Net Present Value (NPV) and the Internal Rate of Return (IRR) respectively. Part (a) and (b) were done well on average. Good answers showed the workings to get the answers rather than merely showing final answers. Section b was done satisfactorily with better answers discussing the implications of the calculations done in sections (a) and (b) respectively.*

#### 4. GRASMERE CO

**(a) Cost per unit under full absorption costing**

	£
Total annual overhead costs	26,550
Machine set up costs	66,400
Machine running costs	48,000
Procurement costs	54,320
Delivery costs	<u>195,270</u>

Overhead absorption rate:

	A	B	C	Total
Production volumes	15,000	12,000	18,000	
Labour hours per unit	0.1	0.15	0.2	
Total labour hours	1,500	1,800	3,600	6,900

Therefore, overhead absorption rate = £195,270/6,900=£28.30 per hour

	A	B	C
	£	£	£
Raw materials (£1.20 x 2/3/4/kg)	2.40	3.60	4.80
Direct labour (£14.80 x 0.1/0.15/0.2 hrs)	1.48	2.22	2.96
Overheads (£28.30 x 0.1/0.15/0.2 hrs)	2.83	4.25	5.66
Full cost per unit	<b>6.71</b>	<b>10.07</b>	<b>13.42</b>

**(b) Cost per unit under activity based costing**

Cost pools	£	Cost driver
Machine set up costs	26,550	36 production runs (16+12+8)
Machine running costs	66,400	32,100 machine hours (7,500+8,400+ 16,200)*
Procurement costs	48,000	94 purchase orders (24+28+42)
Delivery costs	54,320	140 deliveries (48+30+62)
	<b>195,270</b>	

\*Production and sales volume x Machine hours per unit

Cost per machine set-up	£26,550/36=£737.50
Cost per machine hour	£66,400/32,100=£2.0685
Cost per order	£48,000/94=£510.6383
Cost per delivery	£54,320/140=£388

Allocation of overheads to each product

	A	B	C	Total
	£	£	£	£

Machine set up costs	11,800	8,850	5,900	26,550
Machine running costs	15,514	17,375	33,510	66,400
Procurement costs	12,255	14,298	21,447	48,000
Delivery costs	18,624	11,640	24,056	54,320
<b>Total</b>	<b>58,193</b>	<b>52,163</b>	<b>84,913</b>	<b>195,270</b>

Number of units produced	15,000	12,000	18,000
	£	£	£
Overhead cost per unit	3.88	4.35	4.72
Total cost per unit	A	B	C
Materials	2.40	3.60	4.80
Labour	1.48	2.22	2.96
Overheads	3.88	4.35	4.72
Total cost per unit	<b>7.76</b>	<b>10.17</b>	<b>12.48</b>

### (c) Using activity based costing

When comparing the full unit costs for each of the products under absorption costing as compared to ABC, the following observation can be made:

#### Product A

The unit cost for product A is 16% higher under ABC as opposed to traditional adsorption costing. Under ABC, £7.76 per unit compared to £6.71 under absorption costing. This is particularly significant given that the selling price for product A is £7.50 per unit. This means that when the activities that give rise to the overhead costs for product A are taken into account, product A is actually making a loss. If the company wants to improve profitability it should look to either increase the selling price of A or find ways to reduce costs. Delivery costs are also high, with 48 deliveries a year being made for product A. maybe the company could seek further efficiencies here. Also, machine set up costs are higher for product A than any other products, due to the larger number of production runs. The reason for this needs to be identified and if possible, the number of production runs needs to be reduced.

#### Product B

The difference between the activity based cost for B as opposed to absorption costs is quite small, being only £0.10. Since the selling price for B is £12, product B is clearly profitable whichever method of overhead allocation is used. ABC does not really identify any areas for concern here.

#### Product C

The unit cost for C is 7% lower under ABC when compared to traditional costing. More importantly, while C looks like it is making a loss under absorption costing, ABC tells a different story. The selling price for C is £13.00 per unit and, under ABC, it costs £12.48 per unit. Under absorption costing, C is making a loss of £0.42 per unit. Identifying the reason for the differences in C, it is apparent that the number of production runs required to produce C is relatively low compared to the volumes produced. This leads to lower apportionment of the machine set up costs to C than would be given under traditional costing.

ABC is therefore very useful in identifying that C is actually more profitable than A, because of the reasons identified above. The company needs to look at the efficiency that seems to be achieved with C (low number of production) and see whether any changes can be made to A, to bring it more in line with C. Of course, this may not be possible, in which case the company may consider whether it wishes to continue to produce A and whether it could sell higher volumes of C.

*Examiner's comments:*

*Part (a) and (b) required students to calculate unit costs of the products using different cost allocation methods – these were generally well done with better students showing the clearly the steps in the calculations. Part (c) required a discussion of the calculations from (a) and (b) respectively. The better students were able to discuss the drivers of the unit costs differences between the two approaches and outline the implications.*

### **Section C**

5. (a) Much of any manager's time is concerned with decision making. A strategic plan is the result of certain decisions having been taken and provides a framework for future clear decision making. Strategic planning typically covers decision making that has long term implications.

The introduction of a strategic plan has the following benefits.

- (i) Attention is focused on the long-term future of the business rather than getting bogged down in short-term problems.
- (ii) Activities of the various sections of the business are coordinated.
- (iii) Each manager will know what the firm is aiming to achieve and will have criteria for evaluating various courses of action.

The more complex the organisation and the more volatile the environment it faces the more important these benefits are likely to be.

Strategic planning can be 'planned' or 'emergent' based on an unfolding of uncertainty.

(b) There are a number of advantages and disadvantages as discussed below and other factors to consider. In particular relate to transactions costs economics of doing internal vs externally.

Advantages of outsourcing R&D include

- (i) Potentially less expensive if R&D is used on an ad hoc basis
- (ii) Gain from outside expertise and competence
- (iii) Flexibility to cope with larger projects or to render cost base more variable
- (iv) Frees management up to focus on more important or strategic issues

## Disadvantages of outsourcing R&D

- (i) May be cheaper in-house if R&D is a perpetual and continuing activity
- (ii) Exposes firm to risk from poor quality or unreliable/unstable provider
- (iii) Loss of organisational learning
- (iv) Loss of control over intellectual property (IP). For example, who owns the development
- (v) Might nurture competitors who can learn and move up the value chain e.g., Hyundai learning from Ford in automobiles

Other factors to consider is what aspects of R&D to outsource; degree and seed of technological development and ability to keep up with knowledge.

### *Examiner's comments:*

*Most students who attempted this question did well and had a good grasp of the concepts. The better students for question (a) were able to discuss the implications of the different forms of strategic planning by providing examples where relevant. For question (b), the better students were able to relate to transactions costs economics as well as discuss the implications for learning and innovation.*

6. (a) One of the major roles of management is their ability to create, maintain, protect, reinforce and enhance brands. A *brand* is a name, term, sign, symbol, or design, or a combination of them which is intended to identify the goods or services of one seller to differentiate them from those of competitors.

A brand is a name or term like Toyota, General Motors or Ford, a symbol or design which is used to identify the goods or services of one seller to differentiate them from those of competitors. Thus the brand identifies the manufacturer and supplier of the product. Brands, unlike other forms of intellectual property, such as patents and copyrights do not have an expiry date and their owners have exclusive rights to use their brand name for an unlimited period of time. The role of brands include, identify as maker, signal of quality, barrier to entry, legal protection acts as price premium and provide competitive advantage.

A brand has value to the business, known as brand equity. *Brand equity* stems from the greater confidence that consumers place in a brand than they do in its competitors. This translates into consumer's loyalty and their willingness to pay a premium price for the brand. Branding also increases innovation by giving producers an incentive to look for new features that can be protected against imitating competitors. Thus branding will result in more product variety and choice of consumers.

### **The use of branding**

A brand conveys a specific set of features, benefit and services to the buyer. The brand has four different dimensions, which are described below.

### **Attributes**

A brand that brings to mind certain product attributes such as build quality, power capability and others. A large automobile manufacturer would use these attributes in its advertising and promotional activities.

### **Benefits**

Customers do not purchase attributes, they purchase perceived benefits. Therefore, attributes must be translated into functional and emotional benefits. For example, the attribute 'well built' might translate into benefits demanded by our customers, such as reliability or high resale value.

### **Values**

A brand also says something about buyers' values. The brand marketer must identify the specific group of buyers whose values coincide with the delivered benefits package such as high performance, safety and prestige.

### **Personality**

A brand also projects personality and will attract people whose actual desired self-image match the brand's image.

Important for managers to develop a coherent overall brand strategy that articulates how it affects all of its products including the notion of brand umbrella.

(b) Franchising is an arrangements whereby a company distributes products – usually of a 'famous' brand type. For the privilege the franchisee pays a capital sum (at the start of the arrangement) plus a stream of royalty payments, dependent on the success of the franchise.

Franchising would be advantageous:

- (1) The arrangement typically involves tight control over the marketing elements of the business such as brand name, unique selling points to employ, in-store promotions, etc. A unified marketing effort across the outlets is essential for the firm to penetrate the market, and this is arguably easiest to achieve by franchising.
- (2) The franchisee are strongly motivated to sell a high volume of the products (since their success depends on it)
- (3) The firm does not have to invest in any capital (this is usually provided by the franchisee), thus the strategy is low risk (for the firm) if the product fails no capital has been wasted, whereas if the project succeeds the franchisee pays more to the firm
- (4) Franchise systems have been associated with a high rate of growth (e.g., McDonald's in the 1980s)

The disadvantages include:

- (1) Selection of the franchisees may be difficult (given the new type of products)
- (2) If a new product has no track record, setting the balance between the initial fixed capital and the variable royalty payments could be difficult.
- (3) The time spent in training the franchisee could result in drain in resources
- (4) There could be misalignment of interest and knowledge between the franchisee and the firm.

*Examiner's comments:*

*This question was generally well answered. However, in part (a) better students were able to go beyond merely describing branding but also provide examples and discuss the implications. In part (b), better student were able to relate the franchising issues and when they can be advantageous and disadvantageous.*

## **Section D**

7. (a) A value chain is a model of how firms create value for their customers. The value chain describes a number of activities carried out in the firm. Primary activities are directly related to the process of production and sales. Inbound logistics are those activities involved with receiving, handling and storing inputs to the production system.

Operations converts resource input into the end product.

Outbound logistics relate to storage and distribution.

Marketing and sales inform customers about the product, and include advertising and promotion.

After sales service provides services following from the sales.

Support activities obtain purchased inputs, human resources, technology and infrastructure to support the primary activities.

Competitive advantage is obtained by configuring the value chain in certain ways. Heavenly Bliss can use the value chain to ensure that their philosophy of quick, quality haircuts can be adopted and maintained throughout the business. The main areas that heavenly Bliss needs to concentrate on are Human Resources Management, Procurement, Technology Development, Operations and Sales and Marketing.

### **Human Resource Management**

- No appointment system allows quick and efficient service
- Staff need to have capabilities to meet objectives of quality and speed
- Highly trained staff with ability to work quickly and avoid making mistakes
- Multi-skilled so as to achieve maximum utilisation
- Adequate junior and support staff so that hairstylists do not waste time on non-core activities

### **Technology development**

- Have systems to improve productivity

- Waiting display technology, option to choose a particular stylist
- Wifi and other connections for customers to use while waiting

### **Operations**

- Perhaps consider separating the beauty salon with the hairdressing salon – might have conflicts in terms of operational processes
- Also consider more synergies on people or processes between the two businesses where possible
- Consider extending to in-house hairdressing services in offices

### **Sales and marketing**

- Further leverage personal recommendations model
- Advertise more widely
- Target large-office complexes

(b) Value chain analysis forces the firm to look into its processes to ensure synergies are leveraged and any conflicts are managed appropriately.

- Helps build core competencies to differentiate with other providers
- Ensure the ability to achieve consistency with standards and procedures (content created by one area is not destroyed by another)
- Examine linkages between activities so that there is an increasing synergy between the activity systems (one activity enhances the another activity to achieve its objectives)

Value chain also has limitations in its application. It is predominantly focused on manufacturing type firms and hence how would it apply to services needs further development. Also, as markets become more networked through digital technologies, are there ways to leverage benefits of networks which might require the value chain analysis that is sequential in nature to be extended further.

*Examiner's comments:*

*The questions were generally well answered. The question required students to explain how the concept of value chain and its application. Most students answered parts (a) reasonably well but the better ones were able to relate the value chain concept could be applied to the case context. For part (b) the better students were able to critically evaluate the value chain concept with reference to services and also to amore networked structure of firms in delivering the value proposition.*

8. (a) Pricing is important

- need to cover costs
- creates image of product in the eyes of the consumer

As part of the marketing mix, price will help with perceived quality, value and image. High quality usually associated better quality product. Opportunities to gain advantage by using perceptual maps to create a positioning vis a vis price and quality dimensions.

Pricing objectives might include:

- Penetration pricing
  - scale economies
  - build market share
- Price skimming
  - high margin
  - positive price/quality association
- Price discrimination (different willingness to pay)

Key factors in considering pricing include:

- Cost – related to the actual costs involved
- Consumer/customer – related to the price the customer is willing to pay (depends on newness of the product, competition etc)
- Competition – related to competitor's prices for substitute or complimentary products
- Company – related to the company's financial objectives

(b) *Competitor based pricing* is different to cost-plus pricing relates to what the competitors in the market are pricing similar or substitute goods or complimentary goods. Some methods used for competitor based pricing are:

- (1) Price matching – guarantee that the product cannot be bought for less or else refund the difference (e.g., John Lewis)
- (2) Going rate price – similar price is set to competitor but no guarantee as above (Tesco, Sainsbury etc)
- (3) Predator pricing - set price below competitor to gain market share and also drive competitor out of the market

*Market demand based pricing* is more suitable to take into account market needs and wants and relates to what is in demand – compared to competitor based pricing. Economic issues and elasticity of demand are critical factors to consider.

Some methods used for market demand based pricing are:

- (1) Skimming – useful to ‘skim the cream’ from the market especially when the product is new and there is little competition. Important to lower the price once market is established.
- (2) Penetration – start with low price to gain market share quickly. Difficult to increase price subsequently.
- (3) Segmented pricing - segment the market and charge different prices depending on differences in customers, products and locations. Difference in price is not due to differences in costs. Examples of segmented pricing include first class train fares, ‘off-peak’ calls by telephone companies.

*Examiner’s comments:*

*Overall the questions was well answered. Part (a) required an explanation of the importance of pricing in marketing. The better students were able to describe the role of pricing as well as relate to examples of its applications. Part (b) required an explanation of two different forms of pricing. Better students were able to not only explain the differences but also relate to when they might be relevant from a practical perspective.*

CV