Part 1: Sample Questions on Platforms, Marketing and Pricing

1) Price is the only element in the marketing mix that produces _____.
A) revenue
B) variable costs
C) expenses
D) outfixed costs
Answer: A

2) Consumer perceptions of the product's value set the _____ for prices.
A) demand curve
B) floor
C) ceiling
D) variable cost
Answer: C

3) When a downward-sloping experience curve exists, a company should usually _____ the selling price of that product in order to bring in higher revenues.
A) increase
B) greatly increase
C) decrease
D) not alter
Answer: C

4) Companies facing the challenge of setting prices for the first time can choose between two broad strategies: market-penetration pricing and _____.
A) market-level pricing
B) market-competitive pricing
C) market-skimming pricing
D) market-price lining
Answer: C

5) When faced with a competitor who has cut its product's price, which of the following is typically the most cost-effective way for a company to maintain its own price but raise the perceived value of its offer?
A) improving the quality of the product
B) introducing a higher-priced premium brand
C) altering the company's marketing communications
D) bundling the offer with add-ons
Answer: C

6) All of the following are accurate descriptions of modern marketing EXCEPT which one?
A) Marketing is the creation of value for customers.
B) Marketing is managing profitable customer relationships.
C) Selling and advertising are synonymous with marketing.
D) Marketing involves satisfying customers' needs.
Answer: C

7) According to the simple five-step model of the marketing process, a company needs to _____ before designing a customer-driven marketing strategy.
A) determine how to deliver superior value
B) build profitable relationships with customers
C) use customer relationship management to create full partnerships with key customers
D) understand the marketplace and customer needs and wants
Answer: D

8) Lenovo dominates the highly competitive, price-sensitive Chinese PC market through low labor costs, high production efficiency, and mass distribution. This reflects the _____ concept.
A) product
B) production
C) selling
D) marketing
Answer: B

9) When the economy tightens, customer loyalty and customer retention become _____ for marketers.
A) more important
B) less important
C) impossible
D) long-term but not short-term goals
Answer: A

10) An organic farmer has identified three distinct groups who might be interested in his products: vegetarians, people who are concerned about chemicals in their foods, and people who consider themselves innovators and trendsetters. These three groups are examples of _____.
A) marketing mixes
B) market segments
C) value propositions
D) mass markets
Answer: B

11) Which of the following is FALSE?
A) Monetization usually helps with Network effects
B) Charging for Usage or Consumption can hinder the same
C) Charging HR professionals for access to talent on LinkedIn doesn't affect regular users.
D) None of the above
Answer: A

Part 2: Sample Questions on Time Value of Money

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question. **Answers at the end.**

1) What is the future value of $10,000 on deposit for 2 years at 6% simple interest?
   A) $10,600
   B) $11,236
   C) $11,200
   D) $13,382.26

2) If the five-year discount factor is d, what is the present value of $1 received in five years' time?
   A) $1/(1 + d)^5$
   B) 1/d.
   C) 5d.
   D) d.

3) How much interest will be earned in the next year on an investment paying 12% compounded annually if $100 was just credited to the account for interest?
   A) $88
   B) $100
   C) $112
   D) $200

4) The concept of compound interest refers to:
   A) earning interest on the original investment.
   B) payment of interest on previously earned interest.
   C) investing for a multiyear period of time.
   D) determining the APR of the investment.

5) Assume the total expense for your current year in college equals $20,000. How much would your parents have needed to invest 21 years ago in an account paying 8% compounded annually to cover this amount?
   A) $952.46
   B) $1,600.00
   C) $1,728.08
   D) $3,973.11

6) A car's price is currently $20,000 and is expected to rise by 4% a year. If the interest rate is 6%, how much do you need to put aside today to buy the car one year from now?
   A) $18,182
   B) $19,231
   C) $19,623
   D) $4,080.08

7) If the future value of an annuity due is $25,000 and $24,000 is the future value of an ordinary annuity that is otherwise similar to the annuity due, what is the implied discount rate?
   A) 1.04%
   B) 4.17%
   C) 5.00%
   D) 8.19%

8) How much must be invested today in order to generate a 5-year annuity of $1,000 per year, with the first payment 1 year from today, at an interest rate of 12%?
   A) $3,604.78
   B) $3,746.25
   C) $4,037.35
   D) $4,604.78

9) The salesperson offers, "Buy this new car for $25,000 cash or, with an appropriate down payment, pay $500 per month for 48 months at 8% interest (APR)" Assuming that the salesperson does not offer a free lunch, calculate the "appropriate" down payment.
   A) $1,000.00
   B) $4,519.04
   C) $5,127.24
   D) $8,000.00

Answer Key

1) C
FV = $10,000 + 2 × 0.06 × 10,000 = $11,200

2) D
3) C
The investment will again pay $100 *plus* interest on the previous interest:
$100 × 1.12 = $112

4) B
5) D
PV = $20,000 / (1.08)^{21}
PV = $3,973.11

6) C
Future price of car = ($20,000 × 1.04) = $20,800
PV = $ 20,800 / (1.06) = $19,623

7) B
$FV_{AD} = FV_{OA} × (1 + r)$
$25,000 = $24,000 × (1 + r)$
$r = 0.0417$, or 4.17%

8) A
PV = $1,000{(1 / 0.12) − [1 / 0.12(1.12^{5})]}
PV = $3,604.78

9) B
PV = $500 × {[1 / (0.08 / 12)] − [1/(0.08 / 12)(1 + (0.08 / 12)^{48})]}
PV = $20,480.96
Down payment = $25,000 − 20,480.96 = $4,519.04