**Pricing Problems**

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1. **Economic Surplus: What would be the amount of each surplus given the information provided below?**

Product A

* Unit variable cost is $5
* Price is $6
* Maximum WTP (Willingness to pay) is $8
* True value is $11

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| --- | --- |
| **Surplus** | **Amount** |
| Producer (Price – UVC) | $1 |
| Consumer (WTP – Price) | $2 |
| Unrealized (True – WTP) | $3 |

Product B

* Unit variable cost is $6
* Price is $10
* Maximum WTP is $15
* True value is $13

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| --- | --- |
| **Surplus** | **Amount** |
| Producer | $4 |
| Consumer | $5 |
| Unrealized | -$2 |

* What is another term that can be used to describe a consumer’s maximum WTP (willingness to pay)?

Perceived value

1. **Price Discrimination**

**A close up of a sign

Description automatically generated**Match each degree of price discrimination tactic with its example.

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| \_\_\_A\_\_ | 1st degree | 1. Charging different prices for different groups of consumers: (e.g., seniors discounts, kids menu, regional pricing, etc.) |
| \_\_\_C\_\_ | 2nd degree | 1. Auctions, personalized internet prices, pay as you wish pricing. |
| \_\_\_B\_ | 3rd degree |  |