



EAST AFRICAN SCHOOL OF AVIATION

END TERM EXAMINATION

SUBJECT: PRICING

Duration: 2 HRS

DATE: _____

Time: _____

INSTRUCTIONS TO ALL CANDIDATES

- 1. Answer all questions*

EXAMINATION SESSION RULES

GENERAL GUIDELINES

- You will work with the exam QUESTION BOOKLET and a separate ANSWER SHEET.
- Check that your QUESTION BOOKLET is complete. The number of questions is indicated on the front page.
- Complete the ANSWER SHEET with your personal information. Your Client ID can be found on your examination invitation letter.
- Once the exam is passed successfully, your name will appear on the course certificate as it is written on the Examination Attendance List. Notify the Supervisor if your name is spelled incorrectly on the Attendance List.
- Normal **examination conditions** apply:
 - No talking is permitted once the examination papers have been distributed.
 - No food and/or drink are allowed in the examination room.
 - Anyone suspected of cheating will have their examination papers canceled.
 - No examination paper may be taken out of the examination room.
 - No photocopy or scan of the examination may be made.
 - Once completed, the QUESTION BOOKLET and the ANSWER SHEET must be handed to the Supervisor.
- **The time allowed for completing this examination paper is indicated on the cover page.** You will be advised 30 minutes and again 15 minutes before the end of the examination. You may leave the room before, if you have returned your paper to the Supervisor.

MATERIALS ALLOWED

- Only your IATA OAG and TACT Training Edition materials are allowed in the examination room.
- A nonprogrammable pocket calculator and a language dictionary are permitted.
- **No other external or supplementary references are allowed.** Note books, loose paper notes, diaries and agendas are **not permitted**.

HOW TO WORK WITH THIS QUESTION BOOKLET

- **Read each question carefully.**
- All questions carry equal marks. **All answers must be marked on the ANSWER SHEET and not in the QUESTION BOOKLET.**
Failure to mark answers on the answer sheet will result in a FAIL grade.

HOW TO WORK WITH THE ANSWER SHEET

- Find the ANSWER SHEET now.
- Mark only **one response per question**. No points will be given for a question with more than one marked response.
- Blacken the appropriate circle for each answer option you choose. You must use a lead pencil. If you must change a multiple-choice answer, blacken the new circle with your pencil and completely erase the incorrect answer.
- When an exam question presents less than five answer options, ignore any extra blank choices on the ANSWER SHEET. For example, if the question offers only A and B as answer options, fill in A or B on the ANSWER SHEET and ignore C, D and E.

AT THE END OF YOUR EXAMINATION

You must return the ANSWER SHEET and QUESTION BOOKLET to your exam supervisor.

1. What is the key problem that creates inefficiencies when the transportation process is not being managed by a freight integrator?
 - A. Reentry of the same information due to lack of a common information network.
 - B. Delays at customs
 - C. Delays caused when documentation arrives later than the shipment
 - D. Delays between the three steps in the transportation process
2. To ensure that the company makes a profit it must consider questions like?
 - A. Why customers choose to buy services from our competitors
 - B. How the competitors are influencing them?
 - C. When to sell a particular commodity.
 - D. What is the cost structure and how is extra cost generated?
3. The aim of a pricing strategy is to?
 - A. Fight competition
 - B. Survive and keep business going
 - C. To improve relation between companies' workers
 - D. To influence customer behavior.
4. Ideally Supply and demand should be
 - A. Not considered in business
 - B. Should be the gauge stick for success
 - C. Should be considered for quick growth.
 - D. Should be matched.
5. Who is supposed to determine if the price has been correctly set?
 - A. The company's manager
 - B. The client
 - C. Accounts department
 - D. Front desk agents
6. Demand does not depend on price alone. An Increase in demand for airfreight may occur for different reasons one of them is that when there is an increased marketing effectiveness may heighten the shipper's awareness of the advantages of using air freight. The other reason is
 - A. An increase in the amount of money shippers are prepared to allocate to the distribution of their products.
 - B. Expansion of the company
 - C. Introduction of new management
 - D. Internal increased product awareness.
7. A fall in demand could arise if?
 - A. A shipper fails to win overseas sales
 - B. A shipper reduces the rates
 - C. A shipper is too concerned with the customer's needs
 - D. Customers are happy with the services
8. Seasonal fluctuation may cause _____
 - A. Demand for airfreight,
 - B. Diminishing of commodities
 - C. Price stability
 - D. Lack of interests from customer

9. Define Elasticity

- A. A change in prices
- B. Reaction of customers after a price decrease
- C. Relative responsiveness of changes in demand in price
- D. None of the above.

10. Urgently needed and perishable goods have an elastic demand curve

- A. True
- B. False

11. Match the pricing strategy with its definition

- i. Loss leader pricing
 - ii. Prestige Pricing
 - iii. Offset pricing
 - iv. Price lining
- A. Setting a low price for core services and higher prices for supplementary services
 - B. Maintaining a constant price for core services
 - C. Deliberately settling an artificially high price
 - D. Deliberately settling an artificially low price

12. Loss leader will be matched with?

- A. Setting a low price for core services and higher prices for supplementary services
- B. Maintaining a constant price for core services
- C. Deliberately settling an artificially high price
- D. Deliberately settling an artificially low price

13. Prestige pricing will be matched with?

- A. Setting a low price for core services and higher prices for supplementary services
- B. Maintaining a constant price for core services
- C. Deliberately settling an artificially high price
- D. Deliberately settling an artificially low price

14. Offset pricing will be matched with?

- A. Setting a low price for core services and higher prices for supplementary services
- B. Maintaining a constant price for core services
- C. Deliberately settling an artificially high price
- D. Deliberately settling an artificially low price

15. Price Lining will be matched with?

- A. Setting a low price for core services and higher prices for supplementary services
- B. Maintaining a constant price for core services
- C. Deliberately settling an artificially high price
- D. Deliberately settling an artificially low price

16. When a competitor lowers their airfreight rates the best strategy is to

- A. Match the competitors' rates
- B. Set lower rates than the competitor
- C. Determine the reason why before taking action
- D. Differentiated your services from the competitor's services

17. Offering bulk sale rates is an example of

- A. Pricing to secure marginal income
 - B. Pricing to generate business
 - C. Pricing to stay profitable
 - D. Pricing to meet the competition.
18. Applying special conditions to lower rates is an effective strategy for
- A. Pricing to secure marginal income
 - B. Pricing to generated business
 - C. Pricing to stay profitable
 - D. Pricing to meet the competition.
19. As a management tool, PRICING basically has _____ Purposes.
- A. One
 - B. Two
 - C. Three
 - D. Four
20. If there is steady traffic over a given route, but it is insufficient to handle the cargo capacity then additional revenue may be obtained by offering space in the following different ways. Which among the following is the odd one out?
- A. Offering bulk sale rates
 - B. Offering contract rates
 - C. Offering monthly discounts
 - D. Offering preferred rates on high demand days/hours
21. In some cases, it makes financial sense to offer lower rates to secure marginal income on lower demand routes.
- A. True
 - B. False
22. It is not advisable to price for the sake of either matching or undercutting the prices of the competition as this will inevitable end momentum on vicious circle.
- A. True
 - B. False
23. It may make sense to create promotional cargo rates for low demand areas in order to increase or create business.
- A. True
 - B. False
24. There are some key steps that must be taken when measuring the company's profitability. They are as follows except?
- A. Measure the contribution which airfreight has made to the company's profitability to date
 - B. Measure the contribution airfreight has made in terms so specifics for example the contribution per kilo transported
 - C. Measure airfreight contribution to company to price level.
 - D. Measure airfreight's contribution to company profitability in relation to the restraint inherent to the company's cargo operations
25. Pricing to meet market demands is one of the pitfalls in pricing because the market will always demand lower rates.
- A. True
 - B. False
26. Pricing strategy is

- A. Is a way to influence behavior
 - B. Is a way to improve customers' strategy to choose
 - C. Is form of budgeting
 - D. Is not all that the market needs
27. The cargo reservation system can be used to
- A. Only book space
 - B. Only for communication
 - C. Spread demand
 - D. Spread demand and maintain maximum yield
28. Ideally supply and demand should___
- A. Help to set prices
 - B. Should be used to attract more clients
 - C. Should balance/match
 - D. None of the above
29. The classic demand curve is normally a line
- A. Which is straight
 - B. Which is parallel to the Y axis on the graph
 - C. Which is sloping downwards to the right
 - D. Which is sloping upwards to the right
30. An increase on demand for airfreight may occur for different reasons. Give one
- A. Availability increase of money a shipper has allocated to the distribution of the products
 - B. A good town office location for easy access
 - C. Poor space availability
 - D. New marketing team
31. A fall in demand could arise if
- A. When their distribution budget does not prohibit the use of airfreight
 - B. If shipper fail to win overseas sales
 - C. Both A and B
 - D. None of the above.
32. Which method uses employs the use of gut feeling as a way of estimating demand elasticity?
- A. Market test
 - B. Statistical analysis
 - C. Customer requirement analysis
 - D. None of the above
33. Which method uses employs the use of cross sectional analysis or an historical as a way of estimating demand elasticity?
- A. Market test
 - B. Statistical analysis
 - C. Customer requirement analysis
 - D. None of the above
34. Which method uses employs change of rate at a fixed period of time as a way of estimating demand elasticity?
- A. Market test
 - B. Statistical analysis
 - C. Customer requirement analysis

- D. None of the above
35. An elastic demand is one where a change in price alters demand. That is if demand is elastic an alteration in price causes_____
- A. An opposite change in total revenue
 - B. Does not change anything
 - C. Always increases the demand
 - D. None of the above
36. Which of the following situations is likely to increase demand for airfreight services?
- A. A price decrease
 - B. A marketing promotion
 - C. Potential for shippers to reduce total distribution costs
 - D. A, b and c
37. At a constant price an airfreight company ships more goods in December than it does in January. What does this indicate
- A. The company's prices are too high for the market
 - B. Demand for the company services is elastic
 - C. Demand for the company's services is inelastic
 - D. Factors other than price are affecting demand for the company's services.
38. What are the four Ps for marketing?
- A. Product place price and promotion
 - B. Product price place and people
 - C. Product price place and profit
 - D. Product price people and profit
39. Together the four Ps of marketing make up the
- A. Marketing plan
 - B. Marketing offering
 - C. Marketing mix
 - D. Marketing strategy
40. Cost levels greatly determine a company's strength and ability to withstand price?
- A. Increase
 - B. Decrease
 - C. Extrapolation
 - D. None of the above
41. Give an example of uncontrollable costs
- A. Electricity fees
 - B. Airport landing fees
 - C. Equipment pre arrival parking fee
 - D. None of the above
42. Pricing to secure marginal income in some cases makes a lot of sense to offer lower rates to secure
- A. Lower rate
 - B. High rates
 - C. Marginal income
 - D. Just an income
43. When a competitor lowers their airfreight rates the best strategy is to
- A. Match the competitors' rates
 - B. Set lower rates than the competitor
 - C. Determine the reason why before taking action
 - D. Differentiate your services from the competitors' services
44. Offering bulk sales rates is an example of
- A. Pricing to secure marginal income

- B. Pricing to generate business
 - C. Pricing to stay profitable
 - D. Pricing to meet the competition
45. Applying special condition to lower rates is an effective strategy for
- A. Pricing to secure marginal income\
 - B. Pricing to generate business
 - C. Pricing to stay profitable
 - D. Pricing to meet the competition
46. Which of the following is the odd one out?
- A. Price lining
 - B. Offset pricing
 - C. Loss leader pricing
 - D. Price to induce
47. Which strategy starts with very low price?
- A. Price lining
 - B. Offset pricing
 - C. Loss leader pricing
 - D. Price to induce
48. Which of the following does not present pricing strategies?
- A. Survival
 - B. Profit maximization
 - C. Increasing market share
 - D. Other marketing variables
49. Which among the following factors does not influence the rates set by the cargo department?
- A. Pricing objectives
 - B. Cost levels
 - C. Market demand
 - D. Marketing plan
50. In an inelastic demand an increase in price
- A. Will increase total revenue
 - B. Will decrease total revenue
 - C. Will help the company to survive in business
 - D. Will reduce revenue.