Pricing analysis paper

Business, Marketing

1. First Question Set a)The approximate profit maximizing price from the spreadsheet is $ 20 for 10, 000 units. Fig ; Profit Maximization on Demand Curve

a) The profit maximization price is $ 20/unit and output is 10, 000 unit

Revenue = Price - fixed cost + variable cost

Revenue = 2, 00, 000-90, 000+80, 000

Revenue = $30, 000

So revenue is $ 30, 000 , variable cost is $80, 000 and total cost s 2, 00, 000

b) Here the arc elasticity of demand is decided with the help of below formula ;

n = (Q1 – Q2) ÷(Q1+Q2)

(P1 – P2) ÷(P1+P2)

So n = (10, 000-5, 000)÷(10, 000+5, 000)

(20-30. 50)÷(20+30. 50)

= 5000÷15000 = 0. 333 = 1. 608 this means the elasticity of demand is at good position

-10. 50÷50. 50 - 0. 207

e) Price elasticity of demand is a concept used in economics to show the elasticity, responsiveness of a good demanded in relation to a price change on the same. Price elasticity is important because it gives an insight to the business regarding the fixation of the price of a certain good or service they produce.

2. Second Question Set

a) The effect of change in fixed price on the profit maximizing point in addition to profit , revenue, and elasticity at the point of maximum profit is

that the total cost will increase . This means ultimately the breakeven point will increase.

b)The effect of changes in unit variable cost on the profit maximizing point in addition to profit, revenue, and elasticity at the point of maximum profit is that it will give changes in the gross profit.

c)When the price is decreased the elasticity of demand of a product will increase. Also the relationship between the profit and revenue will change since the price is decreasing. There will be a stagnation is profit and revenue because the price has decreased.