

2.2.2 Edexcel Business

Edexcel GCSE Business

2.2.2 Price

Multiple Choice Question Test Bank

MCQ Test 2

This MCQ test contains 13 questions covering the specification content for 2.2.2: Price

Instructions:

- **There are 13 questions in this test.**
- **Your teacher will determine how long you have to complete this test and under what conditions.**
- Only **one** answer per question is allowed for **questions 1-11 inclusive.**
- **Two** answers should be selected for questions **12 and 13.**
- For each answer, completely fill in the circle alongside the appropriate answer(s).
- If you want to change your answer, you must cross out your original answer.
- If you wish to return to an answer previously crossed out, ring the answer you now wish to select.

0 1 Which of the following statements is true?

- A Demand will always increase when selling prices fall
- B Revenue will always increase when selling prices rise
- C Prices of luxury products tend to be low to stimulate demand
- D Raising the price of a product with many close substitutes will usually result in a reduction in demand

[1 mark]

0 2 At which stage in the product life cycle might a business reduce the selling price of a product to clear stock that is no longer in demand?

- A Introduction
- B Growth
- C Maturity
- D Decline

[1 mark]

0 3 A significant downturn in the economy has led a business to review its pricing strategy. The business aims to continue to attract customers to purchase its products, despite the intense competition in the market. Which strategy is likely to be the most appropriate in this situation?

- A Increase selling prices
- B Keep selling prices the same as before the economic downturn
- C Lower selling prices
- D Copy the selling prices of rivals

[1 mark]

0 4 Which of the following statements best describes the basic relationship between price and demand?

- A As prices rise demand is likely to fall
- B As prices rise demand is likely to stay the same
- C As prices rise demand is likely to rise
- D As prices fall demand is likely to stay the same

[1 mark]

0 5 A business is likely to charge a high price when:

- A There is a lot of competition in a market
- B Its products are aimed at customers with a low income
- C It launches a new, innovative product onto the market
- D When a product is of a low quality compared to its competitors

[1 mark]

0 6 In which stage of the product life cycle, when sales growth has slowed down after reaching a peak, would a business cut prices to attract competitors' customers to purchase its products?

- A Introduction
- B Growth
- C Maturity
- D Decline

[1 mark]

0 7 Customers frequently search online to find the most competitive price for goods and services. Which of the following influences on pricing strategies is most likely to have led to this development?

- A Cost of producing the product
- B Legislation
- C State of the economy
- D Technology

[1 mark]

0 8 Which of the following statements is true?

- A Increasing prices will always increase a business's profits
- B Reducing prices will always reduce a business's profits
- C Revenue will fall if demand remains unchanged after a price reduction
- D Revenue will increase if demand remains unchanged after a price cut

[1 mark]

0 9 The stage in the product life cycle at which a low price might be charged in order to establish a product in a competitive market is:

- A Introduction
- B Growth
- C Maturity
- D Decline

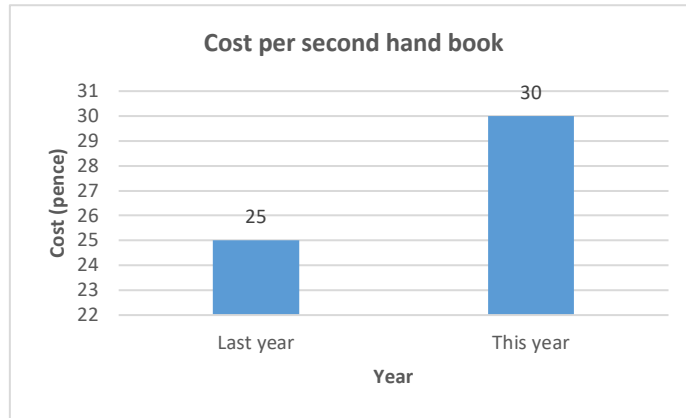
[1 mark]

1 0 Which of the following pricing strategies is most likely to be used for the launch of a new weekly collector's magazine into a highly competitive market?

- A Low price, low profit margin
- B Low price, high profit margin
- C High price, low profit margin
- D High price, high profit margin

[1 mark]

- 1 1 The chart below shows how much it costs the owner of a second hand bookstall to buy one used book - this year and last year.



In order to determine the selling price of each book, the owner adds 80% to the cost of buying a book. Which of the following is the correct selling price of a second hand book this year and last year?

- A Selling price this year 45 pence & selling price last year 54 pence
 - B Selling price this year 54 pence & selling price last year 45 pence
 - C Selling price this year £1.05 & selling price last year £1.10
 - D Selling price this year £1.10 & selling price last year £1.05
- [1 mark]

- 1 2 Which **two** of the following businesses are most likely to set higher prices, sell lower volumes and experience higher profit margins?
- A M&S Food
 - B ALDI
 - C Tesco
 - D Morrisons
 - E Waitrose
- [2 marks]

- 1 3 In which **two** of the following situations might a business charge a low price?

- A When a product has a recognisable brand name
- B When there is little or no competition in the market
- C When a product is known for its quality
- D When a product is no longer in demand due to technological changes
- E When there is a lot of competition in the market

[2 marks]

ANSWERS TO THIS MCQ TEST

Q	CORRECT
1	D
2	D
3	C
4	A
5	C
6	C
7	D
8	C
9	A
10	A
11	B
12	A,E
13	D,E