

Abdulwahab zanain

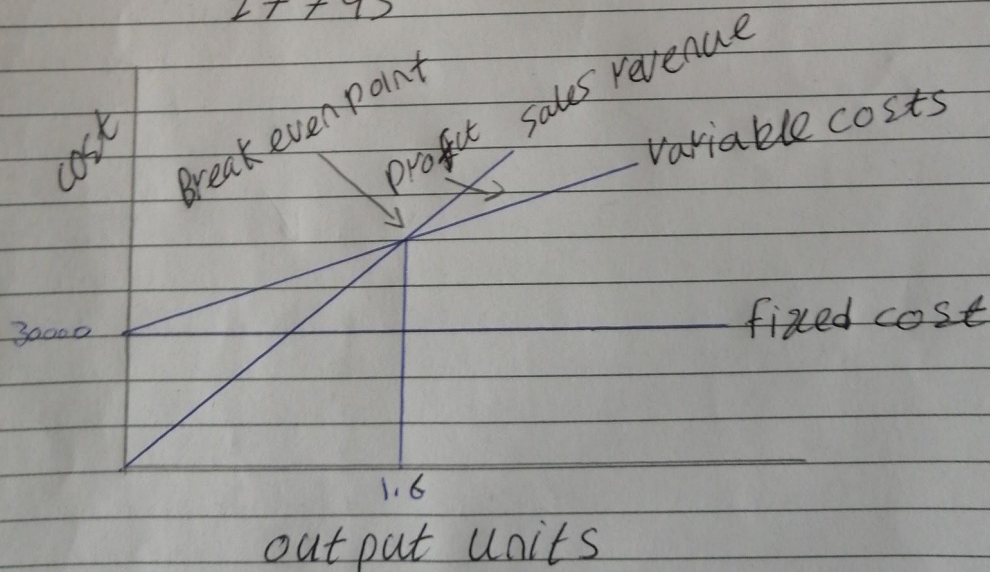
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Question 2(c)

$$C) \text{ Break-even point} = \frac{\text{Fixed costs}}{\text{Selling Price per unit}}$$

$$\text{Break-even point} = \frac{30,000}{17,850 - 57}$$

$$= \frac{30,000}{17,793} = 1.67$$



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Question 2 (A)

Project A		
	Annual	cumulative
	cashflow	cashflow
Year 0	200000	200000
Year 1	80,000	120000
Year 2	50,000	70000
Year 3	45000	25000
Year 4	40000	-15000

Project B		
	Annual	cumulative
	cashflow	cashflow
Year 0	200,000	- 200,000
Year 1	60,000	- 140,000
Year 2	50,000	- 90000
Year 3	50,000	- 4000
Year 4	60,000	20000

Question 2 (A)

	Project c	
	Annual	cumulative
	Cash flow	cash flow
Year 0	-200,000	-200,000
Year 1	70,000	-130,000
Year 2	60,000	-70,000
Year 3	50,000	-20,000
Year 4	60,000	40,000

Question 2 (A)

project A payback = 3 years and 6 months

Project B payback = 3 years and 4 months

project C payback = 3 years and 2 months

Annual Accounting Rate of Return for each project

project A = $3750 / 200000 = 1.9\%$

project B = $5000 / 200000 = 2.5\%$

project C = $10000 / 200000 = 5\%$

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Question 2 (B)

	Project A	PV factor	NPV
year 0	200 000	1	200 000
year 1	80 000	0.9091	72 728
year 2	50 000	0.8264	41 320
year 3	45 000	0.7513	33 808.5
year 4	40 000	0.6830	27 320
			552 61

	Project B	PV factor	NPV
year 0	200 000	1	200 000
year 1	60 000	0.9091	54 546
year 3	50 000	0.7513	4
year 4	60 000	0.6830	

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Question 2 (B)

	project B	PV	NPV
Year 0	200 000	1	200 000
Year 1	60 000	0.9091	54 546
Year 2	50 000	0.8264	41 320
Year 3	50 000	0.7513	37 565
Year 4	60 000	~~0.6830~~ 0.6830	40 480
			255 89

	project C	PV	NPV
Year 0	200 000	1	200 000
Year 1	70 000	0.9091	63 637
Year 2	~~60 000~~ 50 000	~~0.7513~~ 0.8264	~~37 565~~ 49 584
Year 3	50 000	0.7513	37 565
Year 4	60 000	0.6830	40 980
			82 34

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Question 2 (C)

All the projects give a positive net present value which means over the time the projects will both give a return on their investment in real terms.

Project C ~~provides~~ provides the best payback of 3 years and 2 months which is better than projects A and B

Question 2 (D)

When making capital investment decision candidates are required to evaluate two factors they should be considered as part of the decision making process. they include, return, external factors, motives and confidence.

Question 3

A) When a company charges different prices to different groups of customers for the same product or service for reasons other than cost, this is known as price discrimination.

The market must be an imperfect form of competition. Price discrimination would be impossible if there was perfect competition because a supplier would not be able to regulate their prices.

If there was perfect competition, price discrimination would be unlikely because suppliers would be unable to control their costs.

The Recognition of various consumer segments is a necessary condition for price discrimination to occur. If this is possible, different groups, demand elasticities would vary as a result the firm will charge various prices depending on the consumers price sensitivity.

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Question 3

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B) An example of price discrimination is seen when they could charge higher for richer. Inelastic consumers who continue buying no matter the price rise. The firm continues to gain profit as long as the marginal revenue is greater than marginal cost.

Companies such as Amazon and Google also gain information or market intelligence on consumers through means such as deep data digging in cookies and browser histories. They advertise using the information they have on consumers about their preferences to ensure that there would be a successful purchase. This engages in price discrimination as the digital footprint left by the consumer is ultimately against them to pressure them to purchase more goods.