

BUS1AFB

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BUS1AFB**Name****Date:****Question one**

A. The various factors that needs consideration before making price decision other than the preference of customers are as follow;

Position: Your location is a matter to be considered much keenly. You have to consider you place in the market. You need to clearly have consideration of the quality of the items you want to sell. After making decision on all these, then you will be able to have an idea of the ideal price of your community.

Cost: One has to be informed financially before making a decision on the pricing. Working on the total cost that will be involved in running the entire business is much important before deciding on the ideal price of the commodities.

Competitors: I personally think this is a factor to consider because, being aware of their type of services and products, their type of customers and what attracts customers to them. So all is are key consideration to consider.

Profit: Always, any business owner has to ask himself or herself of the profit he or she will be able to make when deciding price of the various commodities. This will help them place a more competitive price in relation to what they will get as profit as well as what their competitors charge on the same commodity.

B. It is important to understand the preference of customers since it helps know what they need. It will as well help you know if you are selling the right commodities or not.

C. No. There is no need because customer's choice is paramount.

It is marked based.

Question Three.**Analysis**

Based on the date provided, Qantas has higher and better profitability compared to the Air New Zealand. The Qantas compared to the Air New Zealand has appealing activity (Current Assets - Utilization) with the exception in the Inventory conversion to the sales. Also, the Qantas liquidity compared to that of the Air New Zealand, it is far much better. Qantas has relatively higher debt within the capital structure compared to the Air New Zealand and Consequent less interest covered within the operation income. Finally, the market perception concerning the Air New Zealand is far better compared to the Qantas which is the price reflected by digit of the times of the earnings more than the Air New Zealand.

In summation, I can be able to recommend Air New Zealand because, the score is more than that of Qantas in huge parameters and rations. It is also the preference by investors.

Question Four.

A.

Account Rate of return.

The account Rate of return helps in measuring the profitability expected from the capital investment. Decision Rule: It accepts the project if only the ARR matches or it greater compared with the required rate of accounting of return.

Advantage: It is easy and simple to understand.

Disadvantage: It always ignores period when profit earned is twenty percent return rate in the 10 years which might be considered better than the eighteen percent rate of six years.

Payback Period. This the total time required to recover cost of any investment. Decision Rule: when the playback ids longer, then the risk is as well much higher.

Advantage: when it is short, then the risk is lower.

Disadvantage: Fails considering money flow from subsequent tears.

Net present Value: This is the difference between the current cash value of money flow and the current value of money outflow over a certain period. Decision rule: Investors and managers should always just invest on projects.

Advantage: Makes decisions for various companies

Disadvantage: Is not used when comparing different sizes of projects.

B.

Account Rate of return is accepted reason being, it is based on the information related to accounting.

Playback period is as well accepted because it allows companies to compare various investment opportunities.

Net present Value is useful since its rule assists management to use the Net present Value mathematics when making decision to acquire accompany.

C. Method of playback period used in the estimation of the cost of the business to generate once is starts being operational. Also, the NPV relies on assumptions it makes, this means, any error might lead to an incorrect calculations and this might be very different to recognize until the projects becomes a huge loser of cash.

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