CHAPTER ONE

INTRODUCTION

1.1 BACK GROUND OF THE STUDY

In modern economies, prices are generally expressed in units of some form of currency. Although, prices could be quoted as quantities of other goods and services (BARTER SYSTEM). Prices are sometimes quoted in terms of vouchers such as trading stamps. Price sometimes refers to the quantity of payment requested by a seller of goods or services rather than the actual payment amount.

One of the most crucial operating decisions management must make is establishing a setting price for its products but this is quiet unfortunately that many firms are still mismanaging pricing causing lots of money and anticipated profit to be unexplored and wasted.

In many financial transactions, it is customary to quote prices in other ways. The requested amount is sometimes called the asking or selling price, while actual payment may be called the transaction or traded price.

However in explaining the importance of pricing, Egbunike (2007:83) sustained that setting the price for an organizations product or service is one of the most difficult, due to some number of variety of factors that must be considered. The primary decision arises in virtually all types of organization, just to mention but a few of them such as manufacturers set prices for their products, they manufacture, merchandising companies set prices for their goods, service firms set prices for such services as insurance policies, bank loans etc.

A company’s survival and profitability depends upon its pricing decisions, thus price is the only element in the marketing mix that produce s revenue and thus ensures profit ability (kotler and keller 2006:475) Price adopted by firms must be able to cover all cost in the long run as well as to leave a profit margin to reward management.

The Price of a Product has a direct relationship with many operations of the firm’s activities. A price decision will affect demand and this in turn affects the revenue generated by the firm. Similarly, a firm which makes profit has the propensity of attracting more new capital. This shows that the public has confidence in the ability of the firm to yield return to them. So, the performance of management is usually measured by the amount of revenue it generates to satisfy the share holders of the organization.

The actual process of profit planning involves looking at several key factors relevant to operational expenses. Putting together effective profit plans requires looking at such expenses as labour, raw materials, facilities maintenance and upkeep and the cost of sales and marketing efforts.

It is evident that management has a big responsibility before them in setting and adopting the most advantageous pricing policy and the most effective profit plan for their firms, since prices are not set arbitrarily therefore management must focus on all the important factors in setting its price. Thus, it has become imperative to investigate the effectiveness of pricing policy and profit planning in Nigerian organizations.

In the course of this study, two companies would be examined: Vintage Nigeria plc, ijanikin Lagos, manufacturers of vintage beauty products and cosmetics (e.g. body creams, relaxers, shampoos, etc) was established in the year 1992, and also, Ojukwu pen farms, producers of poultry proceeds (eggs and chickens) and farm proceeds and has been in existence since 1987.

1.2 STATEMENT OF THE PROBLEM

Hilton (1991:201) observed that both the market forces of demand and supply and the cost of production have a Significant bearing on determining prices. Equally he explained that there are other variables that influence pricing decisions according to him, this includes: Manufacturer's pricing objective, economic situation, level of competition, and availability of close substitute.

a. For pricing to be effective, firms must incorporate all these factors in selecting the most advantageous price for its product. At times, firms are not in the habit of considering these factors and this has led to the shutting down of many factories, downsizing of workforce and in most cases, winding up of firm's (Hilton, 1991:201).

b. Profit plan are made in form of budget and they help firms to forecast the level of profit, cost and revenue, they intend to generate in order to gain competitive advantage. Unfortunately many firms still do not prepare these plans, thus, this has led firms undertaking unplanned ventures resulting in escalation and inability of firms to foresee shortage in resources or finance or personnel needed in the future operation of the firm. Where no plans exist, there will be no basis for firm to compare or evaluate their performance.

c. Based on the foregoing, the problem of this study is in three (3) folds.

1 The failure of some firms to incorporate factors such as economic situation, level of competition, availability of close substitute, among others in their pricing decisions, may have resulted to the minding up of several small scale manufacturing firm (SSMF) in Nigeria.

2. It has been shown in accounting literatures that profit planning is a potential tool for achieving profit objectives and efficiency. Which small scale manufacturing firms seems to ignore the use of profit planning (or budget) in their operations. This has led to far reaching problem such as huge unforeseen operating cost as well as shortages in good financial and human resources.

3. Most importantly, the problem that stringated this study is the knowledge gap, that is, it looks as if small scale manufacturing firms are not aware that pricing policy and profit planning impact positively on profit performance.

1.3 OBJECTIVES OF THE STUDY:

This research is aimed at achieving the following objectives.

(i) To determine if pricing decision (s) can make an impact on a firm's profit and efficiency.

(ii) To investigate if profit planning (or budgeting) can result in cost reduction and increased profit performance.

1.4 RESEARCH QUESTIONS

1. Does pricing decision(s) make an impact on a firm's profit and efficiency?
2. Does profit planning (or budgeting) help in cost reduction and increased profit performance?

1.5 FORMULATION OF HYPOTHESES.

To achieve the objective of the study, the following hypotheses are formulated.

HYPOTHESIS ONE

Ho – Pricing Policy of a firm has no influence on the degree to which a firm can achieve optimum profitability.

Hi – Pricing Policy of a firm has influence on the degree to which a firm can achieve optimum Profitability.

HYPOTHESIS TWO

Ho – Effective profit planning has no effect on the profit performance of a firm.

Hi- Effective profit planning has a major effect on the profit performance of a firm.

1.6 SCOPE OF THE STUDY

Since no single research can validly cover all areas of the topic the researcher tends that thrust of this project will be limited within the scope of how management's performance of small scale manufacturing firms are influenced by the choice of its pricing policy and its profit planning. The study will focus primarily on small scale manufacturing firms in Lagos state to be precise and its environs from where the manufacturing firms of this study are drawn to enable the researcher carryout on extensive investigation on this subject. The companies to be studied are: vintage Nigeria plc ijanikin Lagos and Ojukwu pen farms igbesa Ogun state.

1.7 LIMITATION OF THE STUDY

The researcher is limited by time constraints. Since the semester is very short and has a bulk of academic exercise.

The researcher is also constrained by unavailability of funds required for an extensive research of this magnitude.

Finally and importantly, most small scale manufacturing firms that were studied lack adequate and organized accounting and decision making system, poor organizational chart and structure also their general unwillingness to corporate or give out information, all, these married the effectiveness of this research.

1.8 SIGNIFICANCE OF THE STUDY

This research will serve as a guide to firms in setting the most advantageous pricing policy giving its individual unique situation which will enhance profitability in the short and long run situation. It will help them to avoid choosing arbitrary prices without considering its distinctive situation and important factors.

It will serve as a guide in choosing pricing strategy which strikes a balance between what the consumers wants to pay for a product and the price the firm is willing to sell; also this research will expose them (the firm) to the need for accounting information in carrying out this decision.

The research work will also be useful for the economy in the sense that if firms have substantial control over price setting, then their pricing behavior can influence national output/income and hence community welfare.

Finally, the research work will be useful for those carrying on further research on this or related topic.

1.9 DEFINITION OF TERMS.

PRICING POLICY: It is a guiding philosophy or course of action designed to influence and determine pricing decisions. Pricing policies set guidelines for achieving objectives.

PROFIT PLAN: The profit plan is the operating plan detailing revenue expenses and resulting to net income for specific period of time. It is the firm's optimal plan in the light of management expectation in future.

COST: Expenses incurred to procure something which may be labour, material, facilities or resources

PROFITABILITY: This is the capacity or potential of an organization to make profit

PRICE: This is the amount of money charged for a product or service, or a value that a consumer exchanges for the benefits of having or using a product or service.

VARIABLE COST: They are cost that varies with level of production. They are constant per unit but vary with total production.

PRODUCT: This can be seen as any item, sub-assembly or cost unit manufactured or sold by an organization.

MARKETING MIX: This is the combination of the four primary elements that comprises of a company's marketing programmes which are price, place, product, and promotion (advertising).

CHAPTER TWO

LITERATURE REVIEW

2.1**INTRODUCTION**

Many firms have no pricing problem why; becomes they produce products that are in competition with other similar products for which a market price already exist, customers will not pay more than the normal price. There by under this circumstance no price calculation is necessary. And any firm entering the market will simply charge the price the market directs it to accept. In most situations a firm is faced with the problem of pricing that is deciding on the appropriate price for its products and services. Thus, pricing decisions are considered as the most important decision that a manager has to make because it can make or mar the organization.

2.2**PRICING AND PRICING DECISION:**

OVERVIEW AND DEFINITION: According to Stanton (1981) price is the amount (or possibly goods) that are needed to acquire some combination of production. Price is value expressed in dollars, cent or any other monetary medium of exchange value is the quantitative measure of the worth of a product to attract other products in exchange. In summary, price is the amount of money that is eventually paid in other to buy goods and services.

Pricing is the act of setting or determining the price of a particular good or service. Pricing must be done when a firm develops or acquires a new product, when it introduces its regular product into a new distribution channel or geographical area and when it enters bid on new contract work.

According to markin (179) Pricing Policies are broad guidelines that allow the firm to approach its pricing decision consistently. He sustained that it is a guiding course of action designed to influence and determine pricing decision.

According to Osisioma (1996) Pricing means different thing to different people.

1. To a buyer of a product, the price is the cost factor representing his outlay for that purchase.
2. To a seller, price represents the cost of production plus a margin on profit and it is a source of revenue.
3. To a marketer, price is one of the 4P'S of marketing. Price in this sense becomes the exchange value of good or service in terms of money.

4. To a lawyer, price is money consideration given or received to affect a sale of good and or receive.

In a free market economy, Price is a measure and indicator of the value and utility that a consumer expects to derive form a product or service.

5. To the economist, price is an equilibrium factor in the market, harmonizing the demand in that market with the supply, and is therefore selective tool for allocating scarce resources.

6. The accountants understanding of price is simply cost plus mark-up (on cost). In this sense, price is thus a factor that incorporates cost and profit.

According to him, there are two types of pricing decision. It includes: Those for sales external to the firm that is those relating to customers and those relating to prices internal to the firm. This refers to transfer pricing within the same organization.

2.3**THE IMPORTANCE OF PRICING**

Pricing is considered to be the key activity within the capitalist system by free enterprise. Price is a basic regulator of the economic system because it influences the allocation of the factors of production. In its role as an indicator or allocator of scarce resources, price determines what will be produced (supply) and who will get how much of these goods and services (demand).

An individual firm's price of a product or service is a major determinant of the market demand for the item. Price affects the firm's competitive position and its share of the market. The prices at which a company offers its product has a direct relationship to the company's revenue and not profit (see kotler and keller 2005.Drury 2000)

2.4**OBJECTIVE OF PRICING**

The clearer a firm's Objective the easier it is to set price. The following reflects what a firm's objective is likely to be for it to survive. Companies pursue survival as their major objective if they are plagued with over capacity. Intense competition or changing consumer wants. Profits are less important with the survival objective but this (survival) is only a short run objective in the long run, the firm must learn to earn profit or shut down (markin, 1979).

The following are the possible reasons or objectives that firm seek in setting their prices:-

1. To maximize Profit:- To achieve this objective firms try to estimate demand and cost associated with alternative prices and

choose the price that produce maximum current profit, cash flow or return on investment.

2. To maximize or improve share of market sales:- Market share which is a firm's sale in relation to the total industry sales is a very important bench mark of success.

Some companies believe that maximizing sales or increasing sales volume will lead to lower unit cost and higher long run profit. They may achieve this by setting the lowest price by assuming market, is price sensitive.

3. To achieve target return on investment or net sales:- A firm may price to achieve a contain percentage returns on investment or on net sales. The percentage markup is large enough to cover anticipated operating cost plus a desired profit for the year.

4. Stabilize price:- Price stabilization is often the goal in industries with a price leader. In industries where demand fluctuates frequently, considerably large companies will to maintain stabilization in the pricing price leaders means that there is some relationship between the leaders and those charged by other firms.

A major reason for seeking stability in prices is to avert price war whether demand is increasing or decreasing.

2.5FACTORS INFLUENCING PRICE DETERMINATION

The manager has the responsibility of establishing price for products already in existence, pricing decision are pose with little difficulty but with pricing for new product decisions are difficult.

Factors that management should consider according to Drury (2000) are:

1. Demand for the product: This is the first stage in pricing of product this is easier to achieve for an established product than for a new one.

Two steps involved in demand estimation include:

(i) To determine whether there is a price that the market expects.

(ii) To estimate the sales volume at different prices

(a) The expected price: The expected price for a product is the price which customer consciously or unconsciously values it. It is what they think it is worth.

(b) Estimate of sales at various prices: By estimating the demand for its products at different prices, management is in effect determining the demand curve for the item and its demand elasticity.

2. Target share of market: The market target by a company is a major factor to consider when determining the price of a product or services.

A company may price more aggressively (cover base price, larger discount) than a firm that wants to maintain the present share.

3. Competitive reaction: Present and potential competition is an important influence in determining base price. The threat of potential competition is greater when the field is easier to enter and profit prospects are encouraging.

The more competitive a market is the more competitive will be the pricing policies pursed by the supplier, in that, the market will ultimately develop into a state which the economist call perfect competition. A perfect market competition is that market that leads to prices being established at a point where supply equates demand.

4. Cost consideration: Cost is often an important element in price decision making. A price should be able to cover the cost of production if the product will continue. Two basic costs to be considered are fixed cost and variable cost and they determine the direction of pricing decision. The other set of factor are the

external variable which are largely not controllable by firm. They include legal considerations, the nature of competition, the kind and characteristics of buyer's price, elasticity of demand, kind of buyer's economic condition and suppliers and so on. These two considerations are important in developing price policies and procedures.

According to Egbunike (2006:84) The following are the factors to be consider in pricing decisions.

(i) The firm's Objective

(ii) The market in which the firm operates

(iii) Demand for the firm's product.

(iv) Elasticity of demand for the product.

(v) Cost structure of the firm and the product.

(vi) Competition

(vii) The Product

(viii) The relative position of the firm. (Market Share).

(ix) Level of activity.

(x) Government restrictions or legislation.

(xi) Inflation.

ICAN (2006) maintained that the main factors in pricing decisions are as follows:

1. Pricing Objectives
2. Relationship between price and Output.
3. Selling price/demand relationship and
4. Other factors.

1. Pricing Objectives:-

The pricing objective of companies fall into three categories (ICAN, 2006) these are

(a) To achieve a target return on investment.
(b) To stabilize price and output, and
(c) To realize a target market share.

2. Relationship between price and output.

The element of price is always instrumental to level of demand. In most cases, the lower the selling price for an item, the higher is the quantity demanded. Therefore, a company should consider there relationship between price and demand when deciding on an efficient or optimal plan of action. However, the level of profit made by company is a function of the output levels agreed for the company products. It is reasonable to say that changes in output affect both total revenue and total costs, which are the determinants of the profit level to be made at a given point in time.

3. Relationship between selling price and demand.

The relationship between the selling price for a set of item and the quantity demanded at that price is influenced by a group of factors among which are:

(a) Variation in quantity

(b) Advertising and other promotional techniques

(c) Buyers choice and the manner in which they overcome them.

(d) Pricing and advertising policy decisions competitors.

4. Other factors

The other factors, among a host of factors, which interfere in pricing decision and at the same time exercise fundamental effect are

(a) Overall company goals: These may include target objectives such as investment, sales or sales profitability and man-profit oriented objectives which may include increase in firm status or goodwill.

(b) Costs: These play an indirect role in that it secures the profitability of alternative price to be determined and also ensure a comparison of the profit margin at a present price with expected return. However, costs play a direct role in setting prices in tactical situation, that is contribution pricing.

(c) Demand: This factor cannot be over looked in the pricing decisions of a firm. It is based on two economic principles, that is the law of demand and supply, and the price elasticity of demand.

(d) Legal: This considered from the point of view of government interfering in price control, anti-monopoly measures, interest rates, taxation, and so on.

(e) Social Responsibility: The social impact of a firm who sells on national scale or basis is expected to be felt in the price change of the goods.

2.6 **PRICING APPROACHES**

In many organizations, approaches to pricing take different forms (Adeniji 2002; Drury 2000 and Pandey 1998):

(i) Hunch: This is borne out of years of experience in that business, such decision are intuitive and are not based on any partaking analysis of available data.

(ii) Market Price: This is based on the going price in the market and than works back wards to allowable production costs. Such approach is adopted for standard, stable easily substituted products where close cost controls are employed which mass production and mass selling method are used:

(iii) Cost- Plus pricing models:- This approach differs from the economics concepts of pricing both in what cost and marked up is determined depending on how cost is defined but mark up percentage may differ. Cost-plus pricing model involves a variety of different methods used to establish the cost depending on the meaning of the word cost to organization.

According to ICAN (2006) the various pricing method encountered in practice are:

(a) Full cost based or cost-Plus method

(b) Marginal cost based method

(c) Minimum price method

(d) Pricing based on mark – up

(e) Theoretical pricing policy or demand analysis and

(f) Others.

To Adeniyi (2004) the pricing approaches methods are as follows:

2.6.1 **FULL COST PRICING OR ABSORTION COST PRICING SYSTEM.**

Under this approach, all costs which include fixed and variable costs are ultimately charged or allocated to cost unit and total over heads are then absorbed according to a given level of activity in order to ascertain the total cost of each unit. The cost of a unit of product under this approach therefore consists of direct material, direct labour and variable and fixed overhead. The techniques does not demarcate between fixed and variable components. This is why; it is often referred to as full cost method. It is essentially a long run pricing strategy adopted by firms, which are manufacturing and marketing clearly differentiated products or custom made goods. This approach is applied on a short run policy which could make a firm to price itself out of business and to insist on covering full cost of production in the short run could be on expensive joke for a producer. It is a deficient pricing strategy in times of slack demand and depressed market.

ADVANTAGES OF FULL COST PLUS PRICING MODEL

(a.) One of the major reasons for the wide spread application of cost plus price methods is that it may help a firm to predict the prices of other firms and this will encourage price stability.

(b) If the planned level of volume of sales is achieved at the price calculated, total cost will be recorded and a satisfactory profit will be earned.

(c) A relatively simple way of calculating price, which can be routines and therefore delegated for calculating by a subordinate, One Profit margin percentage and method of calculating unit cost are decided

(d) Although this approach ignores demand, the price is usually adjusted upwards or down wards after taking account of the sales order on hand, the extent of competition from other firms, the importance of the customer in terms of future sales and the policy relating to customer relations.

LIMITATIONS OF COST-PLUS PRICING MODEL

Adeniyi (2002) and Drury (2000) put for ward a number of limitations of the cost-plus pricing model.

(a.) The mass objection to cost –plus pricing methods is that they ignore demand. The price is set by adding a margin to cost and this may bear no relationship to the price demand relationship.

(b.) This approach is circular in reasoning and content because price change affect. Volume of sales, which in turn affect unit, fixed cost, which also leads to further price changes.

(c) There are many different ways by which fixed cost can be apportioned to product and the effect of this is that the cost will be different depending on which appointment is used.

(d) It is often opened that this approach serves as a pricing floor' shielding the seller from lose.

This argument is however base less since it is quite possible for a firm to lose money even though every product is priced higher than the estimated unit cost.

DETERMINING THE MARK-UP PROCEDURE USING ABSORPTION COSTING

The mark-up figure could be found through rule of thumb in the industry or just a company's tradition that seems to work or could be the result of explicit computation. But generally, it should be such that should cover selling, general and administrative overhead and provide adequate return on investment (RQ1). The formular for determining mark-up percentage using absorption cost is

<u>(Required RQ1 X Investment) SGA Expenses</u>

Unit sales X Unit product cost.

2.6.2 **MARGINAL COSTING/DIRECT COST APPROACH**

The most significant criticism leveled against absorption costing method or full cost pricing according to (Adeniji 2004; and pandey

2001) its failure to distinguish between relevant and irrelevant cost for short term pricing purpose. Direct cost pricing which can also be called variable cost or product cost. Strategy is a pricing strategy that basis its determination of selling price on the direct or variable cost of the firm. It achieves a basis distinction between fixed cost and variable cost and set a price that will cover at least the direct cost of the firm. This is based on the motion that the variable cost are product cost of the firm and any selling that exceeds this unit variable cost would contribute something to the recovery of the firm's fixed cost. This approach defines a minimum price chargeable on a firm's product. That minimum price which must be paid for every additional product is the variable cost incurred in making and selling the product.

Essentially direct cost pricing is a distress pricing strategy which is mostly applied in distress economic environment that is, in times of keen competition, slack demand, space and idle capacity in the factory and rising production cost.

2.6.3 **RETURN ON INVESTMENT PRICING**

Return on investment pricing is a strategy calculated in arriving at a definite price when invested capital are involved for the purpose of earning returns and the return on investment has become a major indicator of efficiency and profitability. Return on investment index is a measure of the intensity of capital usage, where selling price fails to return or reflect the effect of capitalization, it will create an illogical price structure and could mislead management to the extent that proper dividend and growth might not be attained.

STEPS INVOLVED IN RETURN ON INVESTMENT PRICING.

1. To determine the total cost of production.
2. Determine the extent/level of capital employed, which is the long-term capitalization of the firm.
3. Determine the desired rate of return on investment capital.
4. Determine the mark-up factor based on total cost and desire the rate:

$$\text{Mark-up factor (MUF)} = \frac{CE}{TC} \times DRR$$

Where: CE = Capital employed

DRR = Desired rate of return

TC = Total cost.

5. Selling price: Cost per unit + (MUF X Cost per unit)

2.6.4 **TARGET COSTING**

Pricing a new product is a special challenging decision problem. The newer the concept of the product, the more difficult the pricing decision is. Pricing a new product is more difficult than pricing a mature product because of the magnitude of the uncertainties involved. New products entail many uncertainties. In spite of these uncertainties, manufacturers adopt two widely different strategies in pricing new products see (Adeniji 2006 Drury 2004 Garrison 1995, Egbunike 2005). One of the first strategy is called SKIMMING Pricing in which a high initial Price is set for a new product in order to reap short run profits. As time goes on, the price will reduced gradually.

The second strategy is PENETRATION pricing where the initial price is set relatively low. By setting a low price for a new product, management hopes to penetrate a new market quickly and deeply so as to gain large market share. This strategy is used for product that are of good quality but, do not stand out as vastly better than competition products with this strategy in place, manufacturers then determine cost of the product and take decision to target the cost.

Target costing involves the computation of the cost for which the product must be manufactured in order to provide the firm with acceptable profit margin.

2.6.5 **PRICING SPECIAL ORDERS/DIFFERENTIAL COST PRICING SYSTEM.**

A company often receives a short-term special order for its products at a lower price than usual. In normal times, the company may refuse such an order, since it will not field a satisfactory profit.

If times are bad, however such an order should be accepted, if incremental costs are involved. The company is better off to receive some revenue, above its incremental costs than to receive nothing at all, such a price, one lower than the regular price is called the contribution price. This approach to pricing is called contribution approach or the variable pricing model. This approach could be called competitors bidding approach.

CONDITIONS THAT SHOULD BE CONSIDERED IN DIFFERENTIAL COST PRICING.

According to Adeniji (2004) the conditions are

1. The firm should be operating below full capacity.

2. The need exists to produce for markets distinct from the firms' regular market.

3. Differential cost refers to variable cost with fixed cost excluded.

4. Additional order that the firm wants to produce must fall within the installed capacity. The following factors affect differential cost pricing model:

1. The additional production must fall within the firms installed capacity. The special order must not be allowed to affect the market position for the firms' regular product. Where possible, the additional production must be sold under different brand name and market.

2. Every care should be taken to ensure that the conventional price on additional production does not spark-up price war.

3. The price at which the additional product is sold should at least exceed the differential cost.

2.6.6 **CONVERSION COST PRICING**

This is a pricing strategy that determines selling prices by marketing the total conversion cost. Conversion cost involves expenses in respect of direct labour and factory over head (both fixed and variable cost). It is discovered that this cost has direct impact on transforming the direct materials into finished products.

Under this situation, the conversation cost differential between the products must be reflected in the selling price of the products. If the conversion cost is neglected or ignored, the selling price computed would be misleading. The format for such computation is here presented below

FORMAT	**WITH CONVERSION**		**WITHOUT CONVERSION**	
	A	B	A	B
Direct Materials	-	-	X	X
Direct labour	X	X	X	X
Factory Overhead	X	X	X	X
Selling & Dist O/H	-	-	X	X
Total conversion	XX	XX	XX	XX
50% Mark-up	X	X	X	X
Add Direct Materials	X	X	X	X
Selling & Distr. O/H	X	X	-	-
Selling Price	XXX	XXX	XXX	XXX

ADVANTAGES OF CONVERSION COST APPROACH

According to (Adeniji 2004; Egbunike 2006) they are

1. It provides a more realistic pricing tool where a remarkable differential exist in the cost of converting raw material into finished product.
2. The conversion cost pricing reflects the difference in time factor used in converting a product.

2.6.7 TIME AND MATERIAL PRICING

Under this method, two pricing rates are established. One based on direct labour and the other based on the cost of direct material used.

This pricing method is widely used by many professionals such as physicians and dentists, also its used in repair shops and in printing shops. Time and materials rates are usually market determined. In other words, the rates are determined by the interplay of supply and demand and by competitive conditions in the industry.

However, some companies set the rates using a process similar to the process followed in the absorption costing approach to cost-plus pricing. In this case the rate includes allowances for selling, general and administrative expense, other direct and indirect cost, and a desired profit.

2.6.8 **MINIMUM PRICE METHOD**

According to ICAN (2006): a minimum price is the price that would have to be charged so as to cover:

(a) The incremental cost of producing and selling the item.

(b) The opportunity cost of the resource consumed in making and selling the item.

A minimum price generally will leave the business no better or worse off than if it did not sell the item, that is no gain no loss. Basically the essential point about minimum price should be considered.

(a) It is based on relevant cost, and

(b) It is very much unlikely that a minimum price will actually be charged because if it is charged, it will not provide the business with any incremental profit. However, the minimum price of an item would generally show an absolute minimum below which the price should not be fixed. The incremental profit is that which would be obtained from any price that actually charged in excess of the minimum for example, the minimum price is N200 and the actual price charged is N240, then the incremental profit on the sale would be N40 however, if there are no scarce resources and a company has spare capacity. The minimum price of a product would be an amount which equates the incremental cost of contribution towards profit.

2.6.9 **OTHER PRICING METHODS/APPROACHES.**

The other pricing methods that may be adopted by companies as pointed by ICAN (2006) are as follows:

(a) Intuitive pricing: This involves pricing by the feel of the market and can vary from a pure guess to well informed attempt to interpret part data and future trends. It is occasionally used to adjust the cost-plus price according to the management's perception of likely demand completion e.t.c

(b) Experimental pricing: This involves the selection of a statistical test markets to create a statistical model which is used to manipulate the price among markets in order to arrive at a price which maximizes profits. It can be used when there is a pricing decision concerning a new profit.

(c) Incremental cost pricing: It is based on the concept that a price should be such that incremental cost is less than the incremental revenue.

(d) Pricing in a multi product situation: From a more objective view, companies are seen not to be producers of only one but a multiple of products. However, two issues are of importance in a multi-product environment, namely:

(i) Pricing substitute goods, for example pharmaceutical where two methods are in use.

(a) Uniform margin on the entire range of similar products.

(b) Varying the size of the margin depending on the cost of each product in the range.

(ii) Pricing complementary goods such as bread and butter – since the demand for the product increases the demand for its complement.

(e) Demand oriented pricing: It is in the attitude of customers influencing pricing decisions, that is, the price a customer is willing to pay for a product and it is not simply a consequence of the product itself.

2.7 PRICING POLICIES

The pricing policy adopted by a firm's may in ways vary. They are classified into 3 which according to Bush and Housing (1995) are as follows:

1. Cost Oriented Pricing

2. Demand oriented Pricing.

3. Competition oriented pricing

2.7.1 COST ORIENTED PRICING

To produce a product, the cost of production is inevitable, so a good under standing of the cost component will result to a healthy pricing policy. Its advantage over the demand oriented pricing is that demand is difficult to estimate while cost is impossible to estimate (though difficult to allocate). A brief description of cost will be necessary to usher us to the cost based pricing.

ESTIMATING COST: A company that wants to charge a price must do so to cover its cost of production, distribution and selling expenses.

TYPES OF COST:

Broadly, a firm cost take two forms, fixed and variable cost.

Fixed costs are those cost that do not vary with production on sales revenue.

While variable costs are costs that vary directly with the level of production these costs tends to be constant per unit produce e.g. cost of raw materials used for production.

Total cost consist of the sum of the fixed and variable cost for many given level of production. Average cost is the total cost divided by the numbers of unit produced.

2.7.2 DEMAND ORIENTED PRICING

Demand oriented pricing reflect the demand and decision for a product. Demand may be elastic or inelastic. According to carter (1997) if demand changes not with a small change in price, we say the demand is inelastic. But if demand changes considerably, demand is elastic.

Demand is likely to be less elastic under the following conditions:

(a) There are less or no substitutes or competitors.

(b) Buyers do not readily notice the prices

(c) Buyers are sure to change their buying habit and search for lower prices.

(d) Buyers think the higher prices are justified by quality improvement, normal inflation. If demand is elastic rather than inelastic, sellers will consider lowering the price. A lower price will produce more total revenue all things being equal. Demand Oriented pricing policy include:

(i) Perceived value pricing: Firms applying this policy the buyer perception of value, not the sellers cost as the key to pricing. They use the non price variables in the marketing mix to build up perceived value in the buyer mind. Price is set to capture the perceived value. The key to perceived value pricing is to accurately determine the markets perception of the offer’s value. Sellers with either an inflated view or an under estimated view may either over price or under price the product.

(ii) Value pricing: Firms that adopt this policy recently charge fairly low prices for a high quality offering.

Value pricing states that the price should represent a high value to consumers. The prices generally reflect the value of the product.

This type of pricing involves reengineering the company’s operations to truly become the low cost producers without sacrificing quality and lowering one price significantly attract a large number of value conscious customers.

(iii) Loss leaders pricing: This form of pricing is used mainly by super market and departmental stores. They drop prices on well known brands to stimulate demand. The problem with this pricing is that it may dilute the brand image as well as cause complaint from other retailers who charged the actual prices. Their prices usually do not cover cost.

(iv) Price lining: This form of pricing policy is used by offering goods in a limited number of price lines for example women's street dresses at N50 to N60 and N50 to N90. The price lines supposedly are based upon difference in workmanship, material and design, all of which are cost consideration and upon consumer's expectation, which is a demand consideration.

Pricing liming is a means of exploiting quality differentials. Two advantages of this type of policy is that it simplifies the pricing structure and eliminates the need for frequent pricing decision.

2.7.3 COMPETITION ORIENTED PRICING

When there is price change, it affects customers (demand), competitors, distributors and so on. When there is a price change competitors are most likely to react where the number of firm or industry is small. The product is homogenous and the buyers are usually informed.

According to carter (1997) a firm can estimate its competitor's reaction from two advantageous points. One is to assume that the competitors treat each price change as a fresh challenge and reacts in a set way to price changes.

In the first case, the company will have to figure out what lies in the competitors self interest. It will lead to researching the competitor's current financial situation, along with recent sales and capacity, customer loyalty and corporate objective. If the competitors have a market share objective, it may react on some other strategy such as increasing the advertising budget, or improving the product quality, responding to competitor's price change. In a market characterized by high product similarity a firm has little choice but to meet a competitors price cut down or it will certainly lose market share.

When a competitor raises its price in a homogenous product market, the other firms might not match it except the price increase will benefit the whole industry. In non homogenous product markets a firm has more discretion in reacting to a competitors price change. Buyers choose the vendor on many consideration service quality reliability and other factors.

These factors desensitize buyers to minor price differences. Market leaders face aggressive price cutting by smaller firms trying to build market share. The leaders have several options which include:

1. Maintaining price
2. To raise perceived quality.
3. To reduce price.
4. To increase price and improve quality.

Drury (2000) while discussing pricing polices, argued that cost information is only one of many variables that must be considered in the pricing decision. The final price that is selected will depend upon the pricing policy of the company.

According to Drury (2000), these are two pricing policies that a firm can select from. They are:

1. Price – Skimming Policy
2. Penetration pricing policy.

A price skimming policy is an attempt to exploit those sections of the market that are relatively insensitive to price changes. For example, high initial price may be charged to take advantage of the novelty appeal of a new product when demand is initially inelastic. In summary pricing policy offers a safe guard against unexpected future increases in costs, or a large fall in demand after the novelty appeal had declined. Once the market becomes saturated, the price can be reduced to attract that part of the market that has not yet been exploited. A Skimming pricing policy should not be adopted when a number of close substitutes are already being marketed. Here the demand curve is likely to be elastic and any price in excess of what or that being charged for a substitute product by a competitor is likely to lead to a large reduction in sales.

A penetration pricing policy is based on the consent of charging low prices initially with the intention of gaining rapid acceptance of the product. Such a policy is appropriate when close substitutes are available or when the market is easy to enter. The low price discourages potential competitors from entering the market and enables a company to establish a large share of the market. This can be achieved more easily when the product is new, than later on when buying habits have become established.

2.8 PRICING STRATEGIES

Garrison (1995) argued that there are two basic pricing strategies available to price setters in pricing new product. They include:

1. Skimming pricing: It involves setting a high initial price for a new product with a progressive lowering of the price as time

passes and as the market broadens and matures. The purpose of Skimming pricing is to maximize short run profits.

One strong argument in favour of Skimming pricing is that it offers some protection against unexpected cost in the production and marketing of a product. It is most effective in those markets where entry is relatively difficult.

(ii) Penetration pricing: It involves setting low initial prices in order to gain quick acceptance in a broad portion of the market. It calls for the sacrifice of some short run profit in order to achieve a bit long run market position.

A limitation of penetration pricing is if the cost is unexpectantly high, the firm may be forced to raise process in future and such a product may lose market acceptance.

Other pricing strategies include:

1. Premium prices: These are price that suggest something about the quality of the product, the prices are usually higher than the market average. Its price is a way of communicating to customers that product quality warrants a higher price.

2. Umbrella pricing: A dominant firm holds its price higher than necessary in other to protect and defend a number of small competitors.

3. Keep all prices: It is purposely designed to discourage potential market entrants or deter firms already in the market, keep all price is a signal to combat. It is practically only for large firms with ample resources.

2.8.1 PRICING STRATEGIES OF SMALL SCALE MANUFACTURING FIRMS.

Having discussed the various pricing policies of a firm or that which a firm can adopt, there is a need to discuss those basic considerations that a small scale manufacturing firm must look into in adopting pricing strategies.

The pricing strategy of small scale manufacturing firm can ultimately determine its fate. Small scale manufacturing firms, owners can ensure profitability and longevity by playing close attention to their pricing strategy.

Cannon (1996) in his book: Guide to small Business information" argued that the lowest pricing policy does not win for small firms because larger competitors with deep pockets and the ability to compete lower operating cost will destroy any small business trying to complete on price alone. Avoiding the low price strategy, small firms have to look at the demand in the market by examining three factors.

These include:

1. Competitive Analysis: small business should not just. Look at their competitors pricing but also at the whole package they offer.

2. Ceiling price: Is the highest price the market will bear. Firm must survey customers to determine pricing limits. The highest price in the market may not be the ceiling price.

3. Price Elasticity: If the demand for the production or service is less elastic, you can then have a higher ceiling on prices. How elastic demand depends on limited competitors, buyers perception of quality and customers not habituated looking for the lowest price in the industry.

After reviewing these considerations including your cost and profit goal as set in the business, a small scale manufacturing firm may then be in a position to choose the best pricing policy for its firm. But usually a Price war may erupt leading to such firms as they way not be able to cover cost.

2.8.2 STRATEGIES FOR AVOIDING A PRICE WAR

A small scale manufacturing firms may avoid a price way by:

(a) **Enhance Exclusively**: Products or services that are exclusive to your business, provide protection from falling prices.

(b) **Drop high maintenance goods**: There may be products or services in your business that have high customer service and maintenance cost. Such lines should be dropped.

(c) **Branding:** This is very effective, It helps the firms to develop their brand name or product name in the market.

(d) **Localizing**: Target a particular market or locality.

(e) Value added: Find value your business can add to stand out in the market place. Be the most unique business in the category.

2.9 **PROFIT PLANNING**

We have been able to establish that, it is the price the firm offers that determines its revenue. Hence a firm sales activity is its back bone.

A firm's plan for profit is summarized in form of an income statement that serves as the sales and profit objective and budget for cost profit planning must be incorporated into the budgeting process so desired level of profit.

A budget is a detailed outline of the acquisition and use of financial and other resource over some time period. It represents a plan for the future expressed in formal quantitative terms.

The act of preparing a budget is known as budgeting control.

Budgeting has a great advantage of co-ordinating the activities of an entire organization by integrating the plans and objectives of the various parts to achieve the desired target or profit. By doing so, budgeting ensures that the plan and objectives of the parts are consistent with broad goals of the entire organization.

The following budget needs are to be prepared to help reflect the planned profit:

1. Sale budget: Includes a computation of expected cash.
2. Production budget: It involves the production budget for the coming years.
3. Direct material budget: Includes a computation of expected cash payment for raw materials.
4. Cash budget: It is used to generate how much cash will be generated from operations.
5. Direct labour budget: It is prepared to show the labour that all will be required in the production process.
6. Manufacturing overhead budget: It is prepared to show all cost of production apart from the direct material and direct labour.
7. Selling and administrative expense budget: It contains a list of anticipated expenses for the budget period that will be incurred in area other than manufacturing.

8. Budgeted income statement: This is one of the key schedules in the budget process. It tells how profitable operations are anticipated to be in the forth coming period. After it has been developed, it stands as a bench mark against which subsequent company performance can be measures.

According to WWW. Village mail. Com, profit plan is used in the following ways:

1. Evaluating operations: Actual operations are tailored to fit budgets. Each time actual income statements are prepared, actual sales and cost are compared with those that have been produced in original profit plan. This permits detection of area of unsatisfactorily performance so that corrective action can be taken.

Where a firm in its actual operation achieves its desired profit, it is said to have been effective.

Effectiveness is measured by the firm achieving its desired or targeted profit. This means that targeted sales were reached at planned prices, cost did not exceed the plan and finally targeted profit was hit.

In the words of Mackintosh (1995) quoted in Drury (2000); he said that performance are seemed satisfactory if predetermined target profit are met. In my opinion if profit is achieved the firm is said to have performed excellently well especially where no damage was done in achieving such profit.

2. Determining the need for additional resources such as facilities or personnel: For example, the profit plan may show that a sharp increase in expected sales will over head the firm sale's men. A decision can then be made to additional sales personnel.

3. Planning purchase requirement: The volume of expected sales may be sufficient to permit advantage of quantity discount.

Therefore advance knowledge of purchasing requirement will permit taking advantage of cost saving and ensure that purchased goods are readily available when needed.

Anticipating any additional financing need with planning: The search for needed funds can beg in as early as possible. Financial rises are avoided and financing can be arranged on more favorable terms.

2.9.1 **ADVANTAGES OF PROFIT PLANNING**

Profit planning offers many advantages to a small scale manufacturing firms (pandey, 2001):

1. Performance evaluation: The profit plan provide or continuing standard against which sales performance and cost control can quickly be evaluated.

2. Awareness of responsibility: With the profit plan, personnel are readily aware of their responsibility for meeting sales objective controlling cost and the likes.

3. Cost consciousness: Some cost excesses can quickly be identified and planned expenditure can be compared with budgets even before they incurred cost and over spending.

4. Disciplined approach to problem: The profit plan permits early detection of potential problem so that them nature and extent are known with this information, alternate corrective actions can be more easily and accurately evaluated.

5. Thinking about the future: Often small firms neglect to plan ahead as result opportunities are over looked and crises occur that could have been avoided. Development of the profit plan requires thinking about the future so that many problem can be avoided before they arise.

6. Financial planning: The profit plan serves as a basis for financial planning with the information developed from the profit

plan. You can anticipate the need for increased investment in receivable need for additional capital

2.9.2 **LIMITATION OF PROFIT PLANNING**

Profit plan are based upon estimate. Inevitably, many conditions you expected when the plan was prepared will change in a year; a number of factors can change many of them beyond the facts of the company.

The profit plan requires the support of all responsible for meeting them. Expense budget must be agreed upon with the people who must incur them without mutual agreement on objectives and budgets. They will quickly be ignored and served no useful purpose.

Finally, profit plan must be charged from time to time to meet changing condition there is no point in trying to operate a business accordingly to a plan that is no longer realistic because conditions have changed.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 INTRODUCTION

It is pertinent for the research to indicate the steps to be taken in carryout the investigation or the research project. In this chapter, various ways adopted by the researcher to conduct the research are outlined one by one. The primary objective of this chapter is to describe the methods used in collection and analysis of data in the cam's or conducting the investigation.

Accordingly, this chapter is therefore organized in sections as follows:

Research design, sources of data, population of study, sampling design, procedure and determination of sample size, questionnaire design, distribution and collection of responses, and pro8cedure for data analysis (Onwe, 1998:13).

3.2 REASEARCH DESIGN

The research design relates to the general approach adopted to execute the study, Baridam (1990) defines research design as , "a frame work or plan used as a guide in the collection of analysis of data for a study". According to Agbonifoh and Yomere (1988:107) research design refers to the logical model of proof that allows the researcher to draw inferences concerning relationship among the variables under investigation. "A researcher design provides answers to the following questions: Who shall we observe? What variables shall we observe? When will the observations be made? And how will the data be collected?. In addition, research design may be exploratory, descriptive.

The researcher will adopt the descriptive research design to the current investigation since the researcher wishes to collect data for the purpose of determining the effectiveness of pricing policy and profit planning in Nigerian Organization.

Since this study is descriptive, questions are developed to secure specific kinds of data (via structured questionnaire) that are capable of explaining the phenomenon (that is, pricing policy and profit planning) under study to a significant le vel of accuracy. Accordingly, the questionnaire, expectantly, shall be administered on a randomly selected staff of vintage Nigeria plc and ojukwu pen farms.

3.3 SOURCES OF DATA

Data collected for this research basically centered on the effectiveness of pricing policy and profit planning in Nigerian organization.

The researcher carried out a statistical analysis by collecting the necessary data herself and also extracting data from already existing literature on the subject matter of the study which is from the main source of data.

The data collected in the research work are made up of both primary and secondary though a high percentage of data falls into the primary data.

PRIMARY DATA

Primary data is the data collected by the research for the purpose of statistical analysis. It includes personal discussion and distribution of questionnaire. Therefore, personal discussion and distribution of questionnaire are the major source of data accumulation in the research work.

ORAL INTERVIEW: The researcher visited quite few of the respondents due to time factor. The essence of using personal discussion (oral interview) is that.

- Face to face discussion could force an ordinary lazy respondent to give out the needed information.
- It avails the respondent the opportunity of asking questions where necessary or where it is not clear.
- The researcher's method of approach could put a relevant respondent in a good frame of mind to give the necessary information required.

- More reliable information is given by the respondent as a result of close contact.

Even though this method of data collection is very advantageous, it also has its disadvantages in the sense that it can be quite expressive and energy consuming. Therefore, in the case of my oral interview it was also quite expressive and energy consuming because most of the time, it is very difficult to have access to the respondent due to their nature of work and trivial factor therefore, delay my collection of data as soon as possible.

SECONDARY DATA: Secondary data refer to materials or information collected previously by researchers or through existing body of knowledge such as books, newspapers, journals magazines, text books, gazette etc. The researcher used this method because data collected are subjective and qualitative in nature. Also secondary data is used in descriptive studies.

3.4 AREA OF STUDY

This study covers vintage nig plc which is situated at Ijanikin Lagos and Ojukwu pen farms situated at igbesa ogun state.

3.5 POPULATION OF THE STUDY

It's of utmost importance in any study to determine the group or persons or things to be studied. The materials or objects or persons for the study are the “units of analysis” (Okeke, 2005, Uzoeshi, 1998). Population in research, according to Uzoeshi, (1998) refers to the aggregate of all members of elements of well defined group. Okeke (2005:73) defines population as “the aggregate of individual persons or objects for investigation, or the sum total of the units of analysis. Generally, the two main characteristics of the population of the study is that it can either be finite or infinite.

In the current study, the population or units of analysis is the aggregate of all the staff of vintage Nigeria plc and Ojukwu pen farms. Since the researcher can identify all the “units of analysis” (that is, all the staff of vintage nig plc and Ojukwu pen farms) with exactitude, thus, the population of this study is defined on finite. The population of this study is defined on finite. The population of this study, based on the management staff strength figures obtained from the personnel department of the respective are as follows.

Company	No of staff
Vintage (Nig) plc	17
Ojukwu pen farms	26

Aggregate	43

3.6 SAMPLE SIZE DETERMINATION.

Since the population of this study is finite, an appropriate sample size determination formula for a finite population characteristic shall be used.

Accordingly; the Taro Yamane's formula for sample size determination for a finite population characteristic is here under adopted in this study (Okeke. 2005:84)

The formula is stated thus:

$$n = \frac{N}{1 + N (e)^2}$$

Where: N = Population figure

n = Sample size

e = Error Margin

1 = Constant.

Using this formula, the sample size is thus stated as:

n = sample size (to be determined)

N = 47

e = 5% = 0.05

Hence n = 43

$$1 + 43 (0.05^2)$$

$$= \frac{43}{1 + 43 (0.025)}$$

$$= \frac{43}{1 + 0.1075}$$

$$\frac{43}{1.1075}$$

$$n = 39$$

3.7 RELIABILITY TEST

For the reliability of the instruments, a pilot study was carried out to test the questionnaire that were distributed on a similar sample from the criteria for the selection of samples

3.8 VALIDITY TEST

The questionnaire issued to the respondents for this research work was designed in a way that it arouses interest in the minds of the respondents. The face and content validity was carried out by my supervisors, lecturers and experts in the field to ensure that the questionnaire was in line with what the research work is talking about.

3.9 METHOD OF DATA ANALYSIS

The statistical techniques or tools in analyzing or processing the data collected include frequency tables and simple percentages. In addition, the chi square(x^2) statistical tool will be used in chapter four for the testing of the hypothesis of the study.

The chi-square statistics is used because the researcher wishes to compare the actual (observed) with the hypothesis (expected) distribution. The researcher in testing the hypothesis shall employ 5% level of significance.

3.9.1 **THE CHI-SQUARE**

The chi-square (X^2) is a measure of the discrepancy existing between observed and expected frequencies (Dibua and Dibua, 2005).

It is given by:

$$X^2 = \sum \frac{(0-E)^2}{E}$$

Where: X^2 = Chi-square

$\sum$ = Summation sign

O = The observed frequency of any value

E = The expected frequency of any value

While the contingency table for the observed frequency (0) is organized/ derived using the data obtained from the questionnaire, the antigency table for the expected frequency (E) is derived from the contingency table of the observed frequency (0).

DEGREE OF FREEDOM (V): The degree of freedom (V) is obtained by multiplying the number of row in the contingency table, less one and by the number of volume less one, that is: V= (row-1) (column-1). While calculating the value of degree of freedom by the above formula, the row, column total cells are ignored.

LEVEL OF SIGNIFICANCE (P): The researcher places 95% level of confidence on the accuracy of the results of the study. This however leaves a 5% level of significance, that is degree of risk.

DECISION RULE

(i) The Null hypothesis' (Ho) is reflected if the calculated value is greater than or equal to the critical value. This means that the alternative hypothesis (Hi) will be accepted.

(ii) The Null hypothesis' (Ho) is accepted if the calculated value is less than the critical value. This means that the alternative hypothesis (Hi) will be rejected.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

Data are presented in frequency distribution table. Also this chapter is divided into three sections which include: Section A, Section Band Section C. In section A, the researcher will explain the questionnaire distributions. Section B will deal with tabular presentation of data and explanation of such data using simple percentages. Finally, in section C the researcher will test the two hypotheses formulated in chapter one using the chi-square (X^2) statistical tool.

More so in this section, the researcher with the aid of a table describes how the questionnaire was distributed and collected. Two companies are involved in this study. They are vintage Nigeria plc and Ojukwu pen farms. The table below captures the activities or range of products.

Table 4.1 FIRMS AND GOODS AND SERVICES THEY RENDER

Vintage Nigeria plc	Producers of beauty products (e.g. creams and relaxers)

Ojukwu pen farms	Producers of poultry (egg and chicken) and farm proceeds

Some questionnaires were designed and distributed to the staff of both companies. The table below shows the distribution and collections of 39 copies of questionnaires of this study.

Table 4.2 QUESTIONNAIRE DISTRIBUTIONS AND COLLECTION:

Category of respondents	Number distributed	Number returned	Number unreturned	Rate Returned to total returned	Return rate per category to total distribution
Vintage Nigeria plc	15	15	-	38%	38%
Ojukwu pen farms	24	24	-	62%	62%
Total	39	39	-	100%	100%

Source: Field survey, 2013.

From table above, a single questionnaire was designed and distributed to the relevant staff of vintage Nig. Plc and ojukwu pen farms based on the sample size determine in chapter 3. However

15 copies of the questionnaire were distributed to the relevant staffs of vintage Nigeria plc and 24 copies of the questionnaire were distributed to ojukwu pen farms making a total number of 39 copies distributed.

In the same Vein, 15 copies were returned from the relevant staff of vintage Nigeria plc and considered fit for analysis, making it a total of 39 returned copies.

The 15 copies of questionnaire which was returned represent 38% of the total number of questionnaire distributed also 62% of the total number of questionnaire distributed to ojukwu pen farms, which makes it a total of 100%.

The return rate of the questionnaire to the relevant staff of crescent spring water to the total number of questionnaire distributed is 38% (i.e. 15/39). On the other hand, the return rate of the questionnaire distributed to the relevant staff of ojukwu pen farms to total number of questionnaire is 62% (i.e. 24/39). The overall response rate is 100% (38%+62%) was determined, which the researcher considers adequate and acceptable for analysis.

4.2 DATA PRESENTATION AND ANALYSIS

Questions: Which level of staff do you belong?

Table 4.3: The respondent level in the organization.

Options	Frequency	Percentage
Management level	6	15%
Senior level	19	49%
Junior level	14	36%
Total	39	100%

Source: Field survey, 2013.

From the table 4.3, 15% of the respondent indicated that they belong to the top management level, 49% of the respondent indicated that they belong to the senior level, while 36% of the respondent indicated that they belong to the junior level.

Question 7: What product does your firm produce or what services does, it render?

Table 4.4: The respondent type of product or services in the organization.

Companies	Products lines
Vintage nig plc	Produces beauty products
Ojukwu pen farms	Produces farm and poultry products

Source: Field Survey, 2013.

Table 4.4: Shows that all respondents/staff in Vintage Nig. plc (i.e. 15 of them) indicated that the company basically produces beauty products. On the other hand, all the respondent/staff of Ojukwu pen farms (i.e. 24) indicated that the company produces farm and poultry products.

Question 8: Whose responsibility is it to determine the price of your firm's product?

Table 4.5: who determines of price of firms product

Options	Frequency	Percentage
Management level	28	72%
Owner	11	28%
Senior staff	-	-
Any other (Specify)	-	-
Total	39	100%

Source: Field survey, 2013

From table 4.5, 72% of the respondent indicated that the price of their products is the responsibility of the management staff to determine, 28% of the respondent indicated that the price of their product is the responsibility of the owner, while none was indicated for senior staff and any other.

Question 9: Does your firm's product have a close substitute.

Table 4.6: Whether firms product have close substitute.

Options	Frequency	Percentage
Yes	32	81%
No	7	19%
Total	39	100%

Source: Field survey, 2013.

The Question above as analyzed in table 4.6 depicted that 81% of respondent says that their firm's product has a close substitute, while 19% of respondent says that their firm's product doesn't have a close substitute.

Question 10: Is your firm's products branded and differentiated?

Table 4.7 Whether firm's product is branded and differentiated

Options	Frequency	Percentage
Yes	15	38%
No	24	62%
Total	39	100%

Source: Field survey, 2013.

From the table 4.7, it shows that 38% of respondent reveals that their products is branded and differentiated while 62% of respondent reveals that their product is not branded and differentiated.

Question 11: Who are your target markets?

Table 4.8 Target market for the different firm products.

Companies	Target Markets
Vintage nig plc	The general public especially women.
Ojukwu pen farms	The general public both male and female

Source: Field survey, 2013.

The table 4.8 above depicted that the respondent of vintage Nig. plc (i.e. 15) shows that their target market is the general public especially their consumers, while the 24 respondent of ojukwu pen farms indicated that their target is the public at large especially house holds and consumers.

Question 12: Can your firm estimate the demand for its product.

Table 4.9 The ability to estimate demand for products?

Options	Frequency	Percentage
Yes	28	71%
No	8	21%

Undecided	3	8%
Total	39	100%

Source: Field Survey, 2013

Revealed from table 4.7 above, we see that 71% of the respondent are of the opinion that their firm are able to estimate the demand for its product, 21% says No to the question, while 8% stated no idea as regarded to the question above.

Question 13: If yes what is the basis of the estimate.

Table 4.10 Firm's basis of estimate for their products.

Companies	Responses
Vintage nig. Plc.	Based on total output turnover per month.
Ojukwu pen farms	It is based on the total amount of products harvested for the day.

Source: Field Survey, 2013.

Table 4.10 Reveals that respondents of vintage nig plc based their estimate on total output turnover per month, while respondents of ojukwu pen farms based their estimate on the total amount of products harvested for the day

Question 14: How many products on the average does your firm sell monthly?

Table 4:11: The average of product sold.

Companies	Averages
Vintage nig plc.	N5 million worth of goods
Ojukwu pen farms	N12 million worth of farm products

Source: Field survey, 2013

From question 14, it shows that 15 questionnaire which was contributed and collected from crescent spring water indicated that N5million worth of goods are sold per month on the average, while the respondents of ojukwu pen farms indicated that on the average only N12 million worth of goods is sold monthly.

Question 15: Do your firm have pricing policy?

Table 4.12: if firms have pricing policies

Options	Frequency	Percentage
Yes	39	100%
No	-	-
Total	39	100%

Source: Field Survey, 2013

From the table 4.12, 100% of the respondents indicate that their firm has a pricing policy.

Question 16: If yes, on what basis is the pricing policy of your firm, adopted?

Table 4.13: Basis for pricing policy

Options	**Frequency**	**Percentage**
Cost- Oriented Pricing	19	49%
Competitive – Oriented pricing	12	31%
Demand Oriented pricing	-	-
Any other specify	8	20%
Total	39	100%

Source: Field Survey, 2013

Question 16 above as analyzed in table 4.13 which depicted that 49% of respondent says that their basis of pricing policy is cost-Oriented, another 31% agree that their pricing policy is competitive oriented, 20% says it is any other as specified by them.

Question 17: Which pricing policy does your firm adopt and why?

Companies	Reasons
Vintage nig plc	Ensure that their products are among in the heat of fierce competition.
Ojukwu pen farms	It helps to estimate the quantity to be produced and supplied to household and consumers.

Source: Field Survey, 2013.

Drawn from table 4.14 as regards question 17, 38% of the respondent drawn from crescent spring waters indicated that the reason for adopting the pricing policy is to ensure that the firm's product continue to be among the most patronized in the heat of fierce competition, while 62% depicts that the reason is to help them estimate the quantity to be produced and supplied to their consumers.

Question 18: What is the objective of the pricing Policy?

Table 4.15: Objectives of pricing policy

Options	Frequency	Percentage
Profit Maximization	12	31%
Survival	2	5%

Improve Market share	5	13%
To achieve target return on investment	9	23%
Any other Specify	11	28%
Total	39	100%

Source: Field Survey. 2013.

Question 18 above as analyzed in table 4.15 revealed that 31% of the respondent said that the objective of pricing policy is to maximize profit, 5% said it is for survival, 13% said is to improve market share, 23% of the respondent gave their opinion to be achieving target return on investment, while 28% Specified "Any other" which means all of the above.

Question 19: How often is price reviewed?

Table 4.16: Whether price is often reviewed.

Options	Frequency	Percentage
Yearly	-	-
Quarterly	-	-
Rarely	12	31%
According to market Condition	27	69%
Total	39	100%

Source: Field Survey. 2013.

31% of the respondents believed that firms rarely review their price, while 69% believes that firms reviewed their price according to market condition as indicated in table 4.16 above.

Question 20: Does your choice of pricing policy have any effect on your firm's performance or profit?

Table 4.17 Effect of firm's performance or profit.

Options	Frequency	Percentage
Yes	29	74%
No	10	26%
Total	39	100%

Source: Field Survey, 2013.

Question 20 reviewed in table 4.17 that 74% of the respondent indicated that there is an effect on firm's performance or profit, while 26% of the respondent believes that there is no effect on firm's performance or profit as regards choice of policy.

Question 21: Does your firm review of price have any effect on profit or performance?

Table 4.18: Effect of firm's Performance or Profit.

Options	Frequency	Percentage
Yes	35	90%

No	4	10%
Total	39	100%

Source: Field Survey, 2013.

Table 4.18: Revealed that 90% of the respondent indicated that there is an effect on firm's profit or performance, while 10% of the respondent believes that there is no effect on firm's profit or performance as regards review of price.

Question 22: What factors necessitates such review in price?

Table 4.19: Factors responsible for price review.

Options	**Frequency**	**Percentage**
Change in cost of production.	9	23%
Change in competitor's price	-	-
Government Policies	-	-
All of the above	25	64%
Any other factor	5	13%
Total	39	100%

Source: Field Survey, 2013.

Table 4.19 Shows that 23% of the respondents have the opinion that change in cost of production is a factor responsible for price review, 64% of the respondents have the opinion that all the factors above constitute reason for the firm to review its price, while 13% says other factors are responsible.

Question 23: Does your competitors react to change in prices made by your firm?

Table 4.20: Reactions to price changes

Options	Frequency	Percentage
Yes	23	59%
No	16	41%
Total	39	100%

Source: Field Survey, 2013.

Table 4.20 depicted that 59% of the respondents indicates that competitors react to changes in price, while 41% does not react to price changes.

Question 24: If yes, how?

Table 4.21: Nature of competitor's reaction.

Options	Frequency	Percentage
Reduce prices	19	49%
Increase prices	6	15%
Use other marketing strategies	10	26%

Any other Specify	4	10%
Total	39	100%

Source: Field Survey, 2013.

Table 4.21 depicts that 49% of the respondents were of the opinion that competitors react by reducing prices, 15% of them react by increasing prices, 26% of them believed that they use other marketing strategies, while the remaining 10% believed that they use other means.

Question 25: Does your firm increase the price of its product when there is increased in demand?

Table 4 .22: Whether firm increase price when there is increased demand.

Options	Frequency	Percentage
Yes	8	21%
No	21	53%
Undecided	10	26%
Total	39	100%

Source: Field Survey, 2013.

Question 25 as analyzed in table 4.22 depicts that 21% of firm increase their demand when there is an increased demand, 53%

of the respondent doesn't increase theirs, while 26% of them are undecided on the increase.

Question 27: What cost does your firm essentially covers when pricing its product in short run situation?

Table 4.23: Cost covered when pricing in short-run Situations?

Options	Frequency	Percentage
Fixed cost	4	10%
Variable cost	13	33%
Both	22	57%
None	-	-
Total	39	100%

Source: Field Survey, 2013

Table 4.23 above shows that 10% of respondent cover fixed cost when pricing in short run situation, 33% of them cover variable cost, while 57% of the respondent cover both fixed and variable costs during pricing in short run situation

Question 28: How relevant is cost information to your pricing decision?

Table 4.24: Relevance of cost information to pricing decisions.

Options	**Frequency**	**Percentage**

Very relevant	29	74%
Relevant	10	26%
Not relevant	-	-
Total	39	100%

Source: Field Survey 2013

Question 28 as depicted in table 4.24 reveals that 74% of respondent indicates that cost information is very relevant to pricing decisions, while 25% reveals that cost information is relevant to pricing decisions.

Question 29: Are sales of your firm's product the primary source of revenue?

Table 4.25: If sales are primary sources of revenue

Options	Frequency	Percentage
Yes	39	100%
No	-	-
Total	39	100%

Source: Field Survey, 2013.

Table 4.25 shows that 100% of the respondent believes that their primary source of revenue is from the sale of their firm's products

Question 30: If yes, does your firm estimate its future revenue or income (Does it plan its profit)?

Table 4.26: like-hood of estimating future revenue or income.

Options	Frequency	Percentage
Yes	39	100%
No	-	-
Total	39	100%

Source: Field Survey, 2013.

Question 30 as shown in table 4.26 reveals that all the respondent (i.e. 100%) indicates that their firm estimate its future revenue or income.

Question 31: Does your firm prepare its budget frequently?

Table 4.27 If firms prepare budget frequently

Options	Frequency	Percentage
Yes	39	100%
No	-	-
Total	39	100%

Source: Field Survey, 2013.

Table 4.27 shows that all respondent believes that budget are prepared frequently.

Question 32: If yes does effective budget improve overall performance of your firm?

Table 4.28 like-hood of effective budget improving overall performance.

Options	**Frequency**	**Percentage**
Yes	39	100%
No	-	-
Total	39	100%

Source: Field Survey, 2013

Question 32 above shows that all respondent believes that effective budget improves overall performance of firm's as depicted in table 4.28.

Question 33: Does effective budgeting help control your cost and operations?

Table 4.29: Whether effective budgeting help control firm's cost and operations

Options	**Frequency**	**Percentage**
Yes	30	77%
No	9	23%
Total	39	100%

Source: Field Survey, 2013.

Table 4.29 with respect to question 33 above shows that 77% of the respondent indicates that effective budgeting help control firms cost and operations, while 23% don't believe so.

Question 34: Does your management take corrective action when there is a variance from the budget.

Table 4.30: Like-hood of correcting deviation from budget.

Options	**Frequency**	**Percentage**
Yes	39	100%
No	-	-
Total	39	100%

Source: Field Survey, 2013

Table 4.30 indicated that all the respondents agree that management take corrective action when there is a variance from the budget.

Question 35: Is there any relationship between the pricing policy and its profit policy adopted by the firm and it's profit performance.

Table 4.31: If relationship exists between pricing policy and profit policy

Options	Frequency	Percentage

Yes	34	87%
No	5	13%
Total	39	100%

Source: Field Survey, 2013.

From the above table 4.31, it revealed that 87% of the respondent believed that there is a relationship between pricing policy and profit policy, while 13% believed that no relationship existed.

Question 36: Do your firm's pricing policy influence its profit maximization?

Table 4.32: Maximization of profit using pricing policy.

Options	Frequency	Percentage
Yes	37	95%
No	2	5%
Total	39	100%

Source: Field Survey, 2013

From the above table 4.32 respondents representing 95% believe that pricing policy help the firm to maximize its profits, while the remaining 5% disagree with this question.

4.3 TEST OF HYPOTHESES.

4.4.1: Test of hypotheses one: HO-Pricing policy of a firm has no influence on the degree to which a firm can achieve optimum profitability Hi-Pricing Policy of a firm has influence on the degree which a firm can achieve optimum profitability.

DECISION RULE:

(i) The null hypotheses (HO) is rejected if the calculated value is greater than or equal to the critical value. This means that the alternate hypothesis (Hi) will be accepted.

(ii) The null hypothesis (HO) is accepted if the calculated value is less than the critical value. This means that the alternate hypothesis (Hi) will be rejected.

The researcher will use the response from questions 20 and 21 for analysis and testing of the first hypothesis.

Table 4.33 OBSERVED FREQUENCY TABLE

Option	**Yes**	**No**	**Total**
Question 20	29	10	39
Question 21	35	4	39
Total	64	14	78

Source: Field Survey, 2013

To obtain the expected frequency table, the researcher will use formular

$$\frac{RT \ X \ CT}{GT}$$

Therefore the values of the frequency table are obtained as

Column 1: $\frac{39 \ x \ 64}{78} = 32$

Column 2: $\frac{39 \ x \ 14}{78} = 7$

Table 4.34 EXPECTED FREQUENCY

Option	**Yes**	**No**	**Total**
Question 20	32	7	39
Question 21	32	7	39
	64	14	78

To obtain the calculated X^2 value the following formular is used:

$$\sum \frac{(O-E)^2}{E}$$

Calculated X2 Value

0	E	(0-E)	$(0-E)^2$	$(0-E)^{2/E}$
26	32	-3	9	0.2813

35	32	3	9	0.2813
10	7	3	9	1.2857
4	7	-3	9	1.2857
Calculated X^2 value is				3.1340

DETERMINATION OF THE CRITICAL X^2 VALUE

The critical X^2 value is given by the formular:

X^2v,p

Where V = Degree of freedom = (C-I) (R-I)

= (2-1) (2-1)

= 1 x 1

= 1

P = Level of significance is put at 5% or 0.05

Therefore, the critical X^2 value at 1 degree of freedom and 5% level of significance from the X2 table is 1.567

Decision: Since the calculated X^2 values, the researcher rejects the null hypothesis but accepts the alternate hypothesis (Hi). Hence, the researcher concludes that pricing policy of a firm has influence on the degree in which a firm can achieve optimum profitability

Test of hypothesis Two

Ho – Effective profit planning has no effect on the profit performance of a firm.

Hi- Effective profit planning has a major effect on the profit performance of a firm.

DECISION RULE:

(i) The null hypotheses (HO) is rejected if the calculated value is greater than or equal to the critical value. This means that the alternate hypothesis (Hi) will be accepted.

(ii) The null hypothesis (HO) is accepted if the calculated value is less than the critical value. This means that the alternate hypothesis (Hi) will be rejected.

The researcher will use the response from questions 32, 35 and 36 for analysis and testing of the second hypothesis.

Table 4.35 QBSERVED FREQUENCY TABLE

Option	**Yes**	**No**	**Total**
Question 32	39	-	39
Question 35	34	5	39
Question 36	37	2	39
Total	110	7	117

Source: Field Survey, 2013

To obtain the expected frequency table, the researcher will use formular

$$\frac{RT \; X \; CT}{GT}$$

Therefore the values of the frequency table are obtained as follows:

First column: $\frac{39X110}{117} = 36.7$

Second column: $\frac{39X7}{117} = 2.3$

Table 4.36 EXPECTED FREQUENCY

Option	**Yes**	**No**	**Total**
Question 32	36.7	2.3	39
Question 35	36.7	2.3	39
Question 36	36.7	2.3	39
Total	110	7	117

To obtain the calculated x^2 value, the following formular is used:

$$\sum \frac{(O-E)^2}{E}$$

Calculated X2 Value

0	E	(0-E)	$(0-E)^2$	$(0-E)^{2/E}$
39	36.7	2.3	5.29	0.1441
34	36.7	-2,7	7.29	0.1986
37	36.7	0.3	0.09	0.0025
0	2.3	-2.3	5.29	2.3000

5	2.3	2.7	7.29	3.1696
2	2.3	-0.3	0.09	0.0391
Calculated X^2 value is				5.8539

DETERMINATION OF THE CRITICAL X^2 VALUE

The critical X^2 value is given by the formular: X^2v,p

Where V = Degree of freedom = (C-I) (R-I)

= (2-1) (3-1)

= 1 X 2

= 2

P = level of significance is put at 5% or 0.05

Therefore, the critical X^2 value at 2 degree of freedom and 5% level of significance from the X2 table is 5.854.

Decision: Since the calculated X^2 values, the researcher rejects the null hypothesis and accepts the alternate hypothesis (Hi). Hence, the researcher concludes that effective profit planning has a major effect on the profit performance of a firm.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY AND FINDINGS

From the analysis made in the previous chapter the following findings were made

Effective pricing policy has a major influence on the degree which a firm can achieve optimum profitability. We observed that for a pricing policy to be effective, it must incorporate relevant aspects of pricing decision which are cost data, estimated demand, consumers' behavior and competitors activities.

The test of the second hypothesis proves that effective profit planning has a major effect on the profit performance of a firm.

It was discovered that the knowledge of cost information is not the only key factor if a firm is to price effectively. More relevant to pricing decisions are the estimate of future demand and competitor's activities.

The researcher also discovered that though firms agree to the importance of demand estimation in price determination, yet it has not become a regular practice in some firms.

We found out that many firms are not in the habit of reviewing their prices in the light of changing circumstance such as inflation, changes in the cost of production, changes in consumers references, e.t.c

Analysis of data showed that competitors especially the big producers in the industry do not worry or react over price change (especially price slash) by small manufacturers. To them, they seem to be too insignificant in the market to cause a price war.

It was also discovered that many firms do not take corrective actions when there is a deviation from their profit plans.

5.2 CONCLUSION

The issue of planning policy and profit planning is a critical phenomenon in every profit making organization, since this will enhance the existence, survival, profit maximization and growth of the firm, mainly in the long run. This work can conveniently be concluded by saying that effectiveness of pricing policy and profit planning has a major influence in Nigerian Organizations, owing to the fact that any profit making manufacturing organization that wants to remain in the market, survive make profit and grow should give this issue attention through the use of qualified and competent personnel, adequate and effective information and planning, adequate and effective information and planning, regular cost audit and other tools, since it is the primary determinants of revenue generation (pricing), and cost control (profit planning), administrative efficiency and the overall profitability and growth of any business. This is very important because the market situation and economic environment is very turbulent and changes as the clock ticks.

5.3 RECOMMENDATION

The following are the recommendation which will help to improve pricing and profit planning in firms.

1. Pricing should be carried out by a joint effort between the top management and the sales personnel. These function should not be left alone to the top management because though they may be able to quote prices profitable to the firms, they will be unable to the quote prices that will be reasonable to the customers they the sales staff will be in a better position to do this.

2. Firms must state explicitly their pricing objective and every pricing policy adopted must be geared towards achieving those stated objectives also, the firm's pricing objective must be in line with the firm's overall objectives and not conflict each other. There must be a unity of purpose.

3. Firms should establish an information and survey department in order to obtain such information as will be necessary in order to gain control over changing pricing situation, since the price setting environment is very dynamic. Such information as relating to changing situation as cost, consumers testes and preferences, competitors activates. Other information relates with products ceiling price, price elasticity and other relevant information that will enable the firm to make effective pricing decision.

4. Manufacturer should consistently deliver more value at moderate price because the price a consumer is willing to pay for a product is that value he/she places on the product. Therefore, firms must improve value in the creation (product development), communication (selling) and delivery execution after sales service) stage of the product life. When a customer is satisfied he may be willing to accept reasonable increase in prices for greater satisfaction.

5. Periodic audit should be conducted on cost structure of all the firms' product both major and minor. Firms should look for cost saving opportunities and to reap economics through joint operating cost. Clear cut methods of cost accumulation should be established and all cost should be covered hidden cost should be

sought out. Firms must try to anticipate which cost may be raised more rapidly in the near future and must be alert to ways of cost reduction through substitution and elimination.

6. Firms should exploit product life cycle. They should use or employ different pricing strategies at different periods of the product life cycle. Depending on the nature of the product and the market response, new product many command special higher prices, older ones that have reached maturity and saturation stages of the (especially price slash) by small manufacturers. To them, they seem to be too insignificant in the market to cause a price war.

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APPENDIX 1

INTROUCTORY LETTER

Caritas University,
Amorji-Nike,
Enugu, Enugu State.
Faculty of Management
And Social Sciences,
Department of
Accountancy.
23rd April, 2013.

Dear Respondent,

I am a student of Caritas University Amorji-Nike. Enugu, Enugu State Carrying out a research study on the topic. Effectiveness of pricing policy and Profit Planning in Nigerian Organizations: A Performance appraisal of some selected manufacturing firms.

Kindly complete this questionnaire to the best of your knowledge. No names are required; all you are required to do is simply tick the answer. And please be rest assured that the information shall be treated with utmost confidentiality.

Yours faith fully

OKOLI GODWIN

APPENDIX ii

QUESTIONNAIRE

Please read carefully the following questions and mark (√) in the box the option that corresponds with what you consider as the appropriate answer or fill in the dotted spaces where necessary.

PART A: PERSONAL DATA

1. Sex: Male Female
2. Age: a. under 20 b. 20-30

   c. 31-40 d. 41-50

   e. Above 51
3. What is your educational qualification?

(a.) B. Sc. ( ) O.N.D/H.N.D C. G.C.E/S.SC.

4. What is the name of your firm ------------------------------

   ----
5. How long have you worked for the firm?

   ----
6. Which level of staff do you belong?

   Management level

   Senior staff level

Junior staff level

7. What products does your firm produce or what services does it render? --

----

8. Whose responsibility is it to determine the price of your firm's product?

Owner ☐

Management staff ☐

Senior staff ☐

Any other (specify) ---

9. Does your firm's products have a close substitute?

a. Yes ☐ b. No ☐

10. Is your firm's products branded and differentiated?

a. Yes ☐ b. No ☐

11. Who are your target market? --------------------------------

12. Can your firm estimate the demand for its product?

a. Yes ☐ b. No ☐ c. Undecided ☐

13. If yes, what is the basis for the estimate?

----

14. How many products on the average does your firm sell monthly?--

----

15. Do your firm have a pricing policy?

a. Yes ☐ b. No ☐

16. If (15) above is yes, on what basis is the pricing policy of your firm adopted?

Cost oriented (based) pricing

Competitive oriented (based) pricing

Demand oriented (based) pricing

Any other, (specify) --

17. Which pricing policy does your firm adopt and why?

----

18. What is the objective of the pricing policy?

Profit maximization ☐

Survival ☐

Improve market share ☐

To achieve target on investment

19. How often is price reviewed?

Yearly ☐ Quarterly ☐ Rarely ☐

According to market conditions

20. Does your choice of pricing policy have any effect on your firm's performance or profit?

a. Yes ☐ b. No ☐

21. Does your firm's review of price have any effect on profit or performance?

a. Yes ☐ b. No ☐

22. What factors necessitate such review in price?

Change in cost of production ☐

Change in competitor's price ☐

Government policies ☐

All of the above ☐

Any other factor --

23. Does your competitors react to change in prices made by your firm?

a. Yes ☐ b. No ☐

24. If yes, how?

Reduce/Increase prices ☐

Use other marketing strategies ☐

Any other, specify --

25. Does your firm increase the prices of its product when there is increase demand?

a. Yes ☐ b. No ☐ undecided ☐

26. Does the consumer react to the price increase?

a. Yes b. No c. undecided

27. What cost does your firm essentially cover when pricing

It's product in short run situation?

a. Fixed cost b. Variable co c. bot

28. How relevant is cost information to your pricing

decision?

Very relevant

Relevant

Not relevant

29. Is sales of your firm's product the primary source of revenue?

Yes No

30. If yes, does your firm estimate its future revenue or

income. (does it plan its profit)?

Yes No

31. Does your firm prepare its budget frequently?

Yes No

32. If yes, does effective budget improve overall performance

of your firm?

Yes No

33. Does effective budgeting help to control your firm's cost and operations?

Yes ☐ No ☐

34. Does your management take corrective actions' when there is variance from the budget

Yes ☐ No ☐

35. Is there any relationship between the pricing policy adopted by the firm and its profit policy adopted by the firm and its profit performance?

Yes ☐ No ☐

36. Does your firm's pricing policy influence it in profit maximization?

Yes ☐ No ☐