

The background of the slide features a blue-tinted collage of financial symbols. On the left, a portion of a calculator is visible with buttons for sigma (σ), plus (+), and minus (-). In the center, a line graph is plotted on a grid, showing a fluctuating upward trend. The y-axis of the graph has numerical labels: 6,000, 6,250, 6,500, and 6,750. On the right side, a stack of several coins is shown, slightly out of focus. The overall composition is professional and related to finance.

FINANCIAL MANAGEMENT

Lecture No. 13

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

FACUALTY PROFILE



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**Several Times Topper in
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Pricing

Pricing

A process of fixing the Price that a manufacturer will receive in the exchange of services and goods.

Pricing Policy

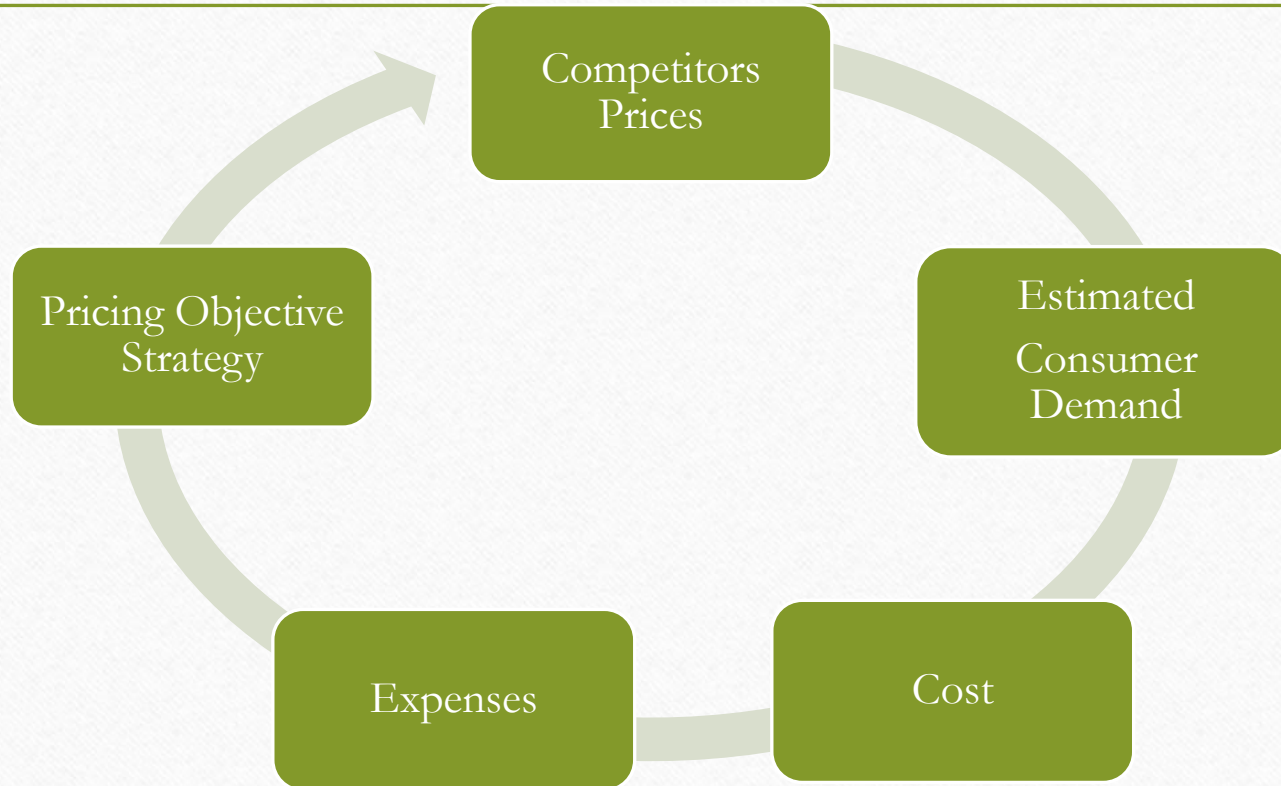
What are the steps need to follow while setting pricing for new or modified product?

How Pricing setup for Products

A firm must need to set prices:

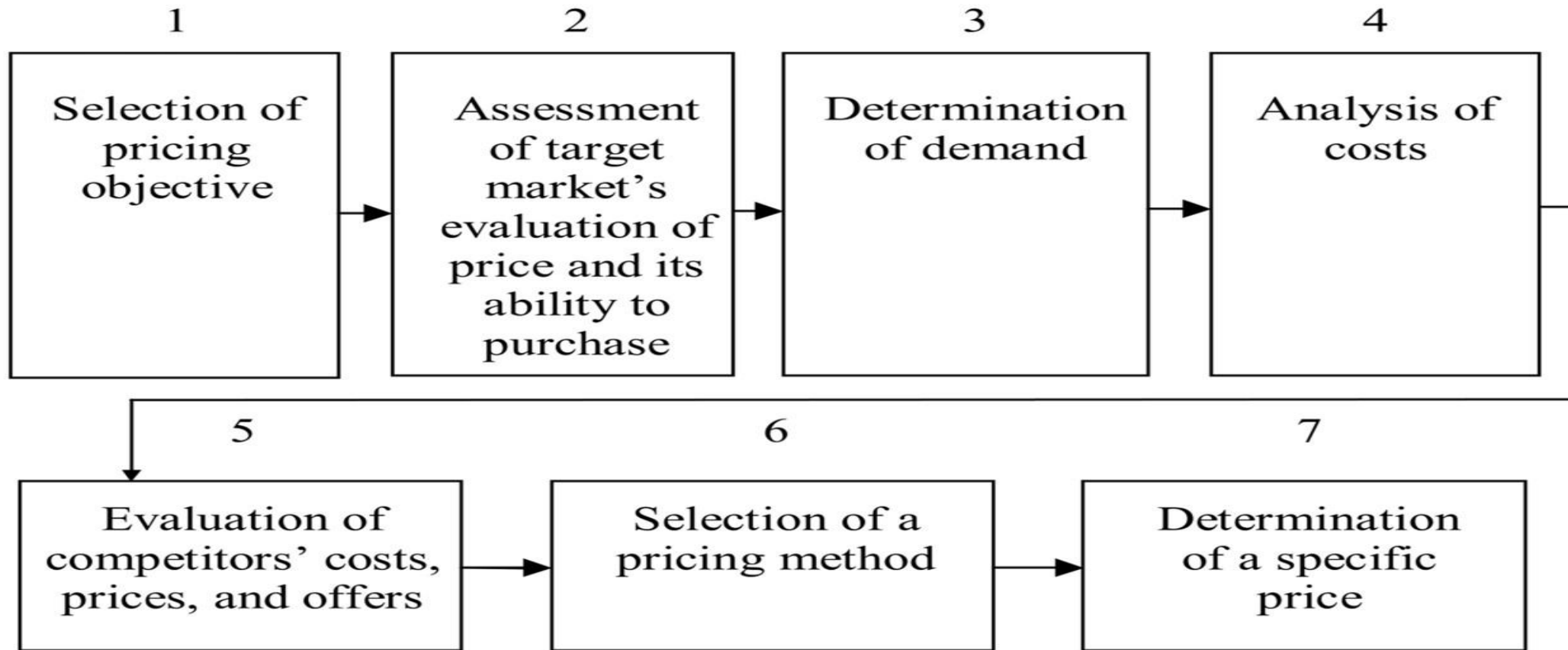
- When it develops a **new product**.
- When it introduces its **regular product** into a **new distribution channel** or **new place**.
- When it enters bids on **new contract work**.

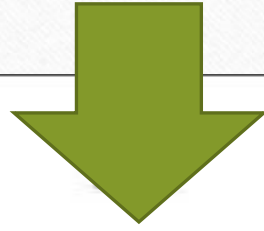
Consideration for setting price



1. Selecting the Pricing Objective
2. Determining Demand
3. Estimating Costs
4. Analyzing Competitors' Costs, Prices, and Offers
5. Selecting a Pricing Method
6. Selecting the Final Price

Steps in Price Setting





Selection of
pricing
objective

Step 1: Selecting the Pricing Objective

The company first decides where it wants to position its market offering. The clearer a firm's objectives, the easier it is to set price.



Step 1: Selecting the Pricing Objective

Maximum current
profit

Maximum market
share

Survival

Maximum market
skimming

Product-quality
leadership

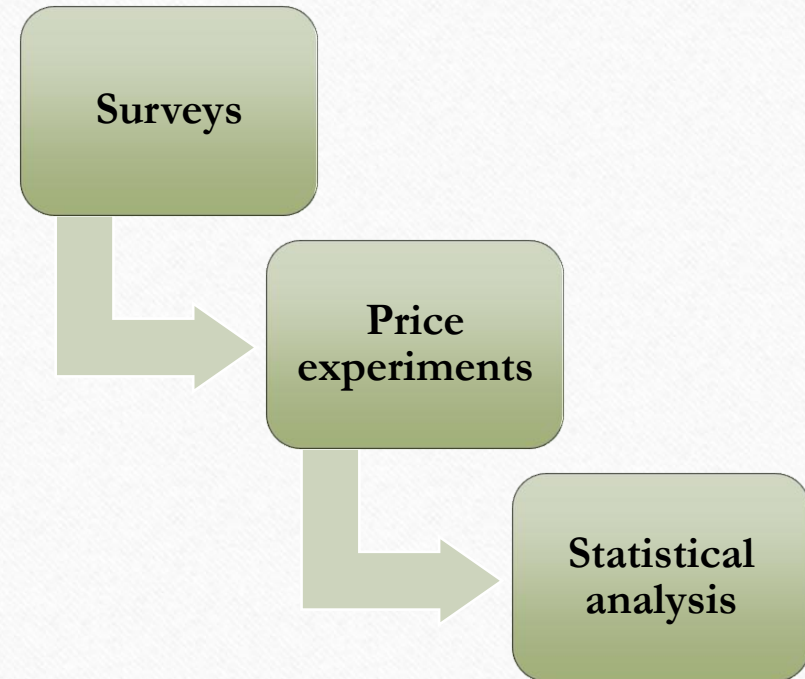

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graph TD; A[Selection of pricing objective] --> B[Determination of demand];
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Selection of
pricing
objective

Determination
of demand

Step 2: Determining Demand

- Each price will lead to a different level of demand and have a different impact on a company's marketing objectives. The normally inverse relationship between price and demand is captured in a demand curve.
- **The higher the price, the lower the demand.**



Selection of
pricing
objective



Assessment
of target
market's
evaluation of
price and its
ability to
purchase



Determination
of demand



Analysis of
costs



Step 3: Analysis of Costs

For determination the price of product company should estimate the cost of product.

- A. Variable and Fixed Cost**
- B. Differential Cost in Differential Market**
- C. Target Costing**

A. Variable and Fixed Cost

Cost that change based on the amount of output produced.

Example: Variable costs may include labor, commissions, and raw materials.

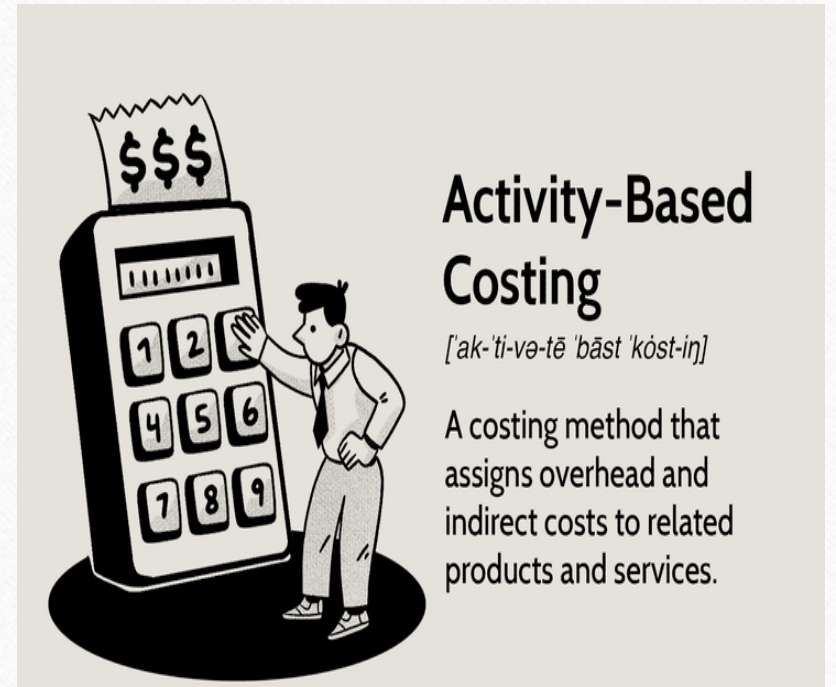
Fixed costs remain the same regardless of production output.

Example: Fixed costs may include lease and rental payments, insurance, and interest payments.

- Price must cover variable & fixed costs.
- As production increases costs may decrease.

B. Differential Cost in Differential Market

Firms must also analyze **activity-based cost accounting (ABC)** instead of **standard cost accounting**.



C. Target Costing

In simple words, the target costing is estimating the cost of a product by subtracting a profit margin that the company wants from the competitive market price of the product.

Target Cost

$$\text{Target Cost Formula} = \text{Projected Selling Price} - \text{Desired Profit}$$



Selection of pricing objective



Assessment of target market's evaluation of price and its ability to purchase



Determination of demand



Analysis of costs

Evaluation of competitors' costs, prices, and offers



Step 4: Evaluation of Competitors' Costs, Prices, and Offers

- The firm should benchmark its price against competitors, learn about the quality of competitors offering, & learn about competitor's costs.
- Consider the nearest competitor's price.



Selection of pricing objective



Assessment of target market's evaluation of price and its ability to purchase



Determination of demand



Analysis of costs



Selection of a pricing method

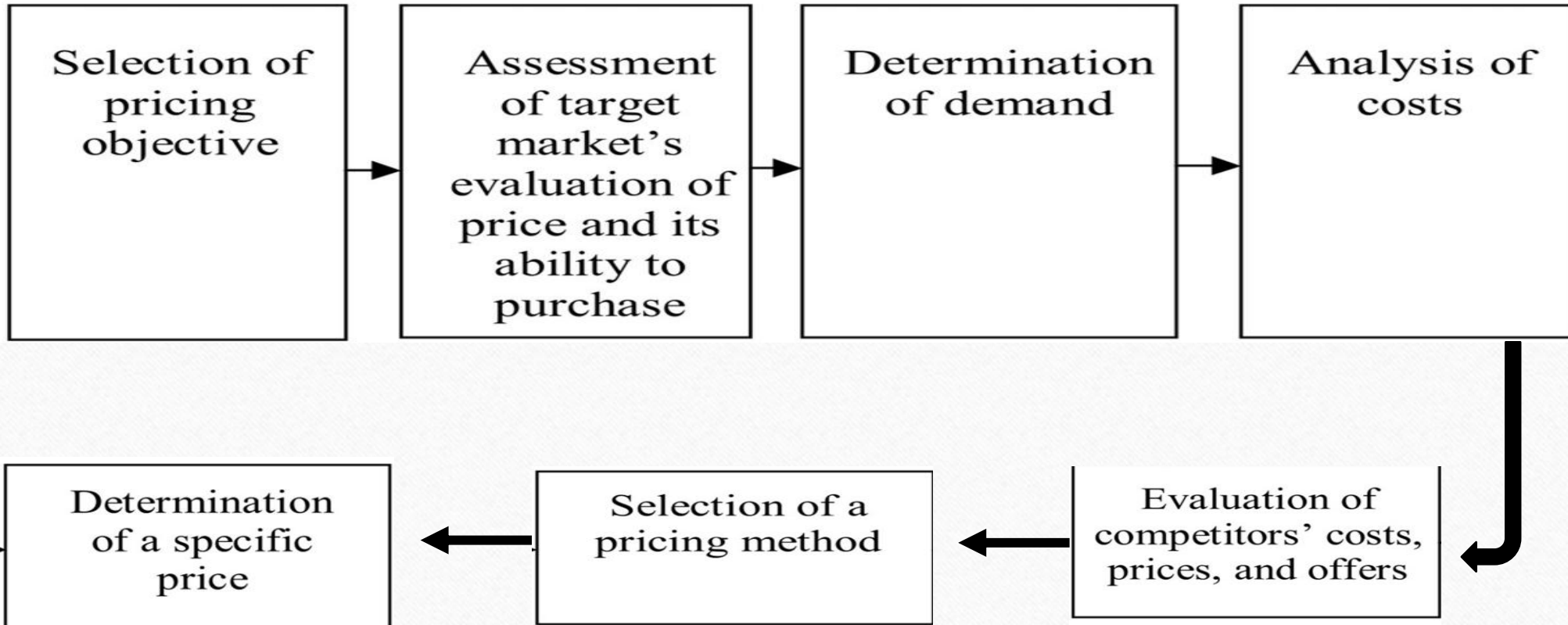


Evaluation of competitors' costs, prices, and offers



Step 5: Selecting a Pricing Method

- Various pricing methods are available to give various alternatives for pricing.
- **Markup Pricing:** a 20% markup
- **Target Return Pricing:** this is based on ROI
- **Perceived-Value Pricing:** buyers perception of the product is key, it is based on what is the product worth to customer.
- **Going Rate Pricing:** charge what everyone else is
- **Penetration Pricing:** Low price for capturing market



Step 6: Selecting the Final Price



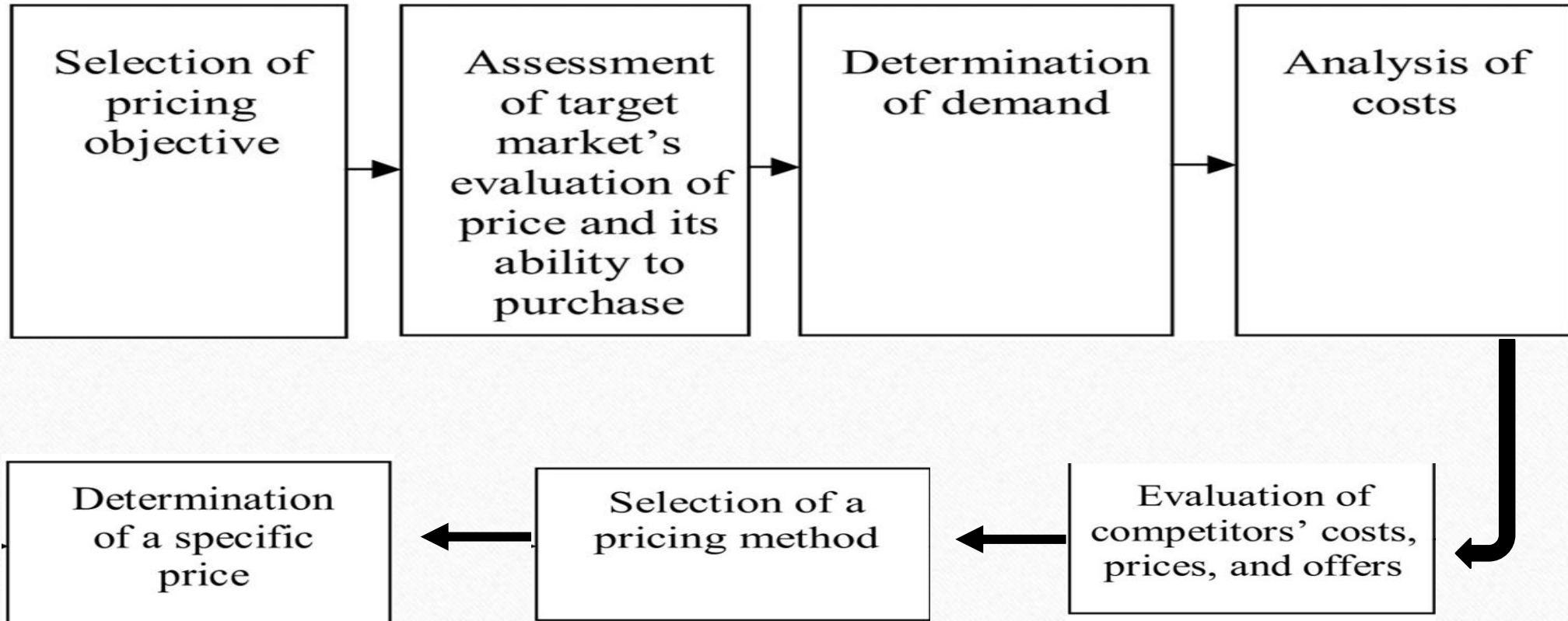
- Pricing methods narrow the range from which the company must select its final price. So finally u select a strategy or practice used by an organization to achieve its pricing objectives.

In selecting that price, the company must consider additional factors.

- Impact of other marketing activities
- Gain-and-risk-sharing pricing
- Impact of price on company Goodwill and Govt Policy



So we reached to take-off our product after steps need to follow for pricing, this is called **pricing policy**?



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Self Study and Notes

Q. No. 4. (2016 Descriptive Question)
(20)

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Self Study and Notes

Q. No. 4. (2016 Descriptive Question)
(20)

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Self Study and Notes

Q. No. 4. (2016 Descriptive Question)
(20)

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Self Study and Notes

Q. No. 4. (2016 Descriptive Question)

What are the various types of pricing? Propose the pricing strategy for new, high quality brand of shoes? **(20)**



Thank
You