

Increase Price

Evaluation 6 marks

IGCSE Paper 1

BFF makes a range of computer processors that it sells to other manufacturers. The Managing Director has been looking at BFF's income statement. She is worried about the effects of an increase in the cost of materials. She said: 'Changes in technology have improved our production methods. BFF needs to remain competitive as imports of computer processors are increasing.' The Managing Director has to decide whether BFF should increase its prices.

(d) Do you think BFF should increase its prices? Justify your answer.

Yes because this could increase revenue so more money available to cover costs such as increase in material costs

No because keeping prices low may increase market share because it is a competitive market as lower price attracts customers.

Although increasing costs may increase revenue, as it is a competitive market with increasing numbers of imports sales could be sensitive to a change in price. The decrease in margins

due to rising costs of materials may be off set by the increased efficiency in production.
