

**Final Examination
Sales**

Professor Janice Kosel

Fall 2007

1. You have two (2) hours to complete this exam.
2. This is an **open** book exam.
3. This exam consists of one (1) essay question. Please write your response in the blue books provided. Please write clearly. Write on every other line and every other page to permit instructor comments.
4. Write your exam number on your exam envelope. Put your correct class section and student exam # at the top of this page, each page of questions, and each blue book. **Do not** use your name, student ID number or Social Security Number on any exam materials.

If you believe you need any additional factual information, reveal exactly what it is and how it will affect your answer.

5. At the conclusion of the exam, return all test materials, including blue books, scratch paper, and this exam packet to the envelope and submit it to the proctor. **DO NOT** seal the envelope. Students who do not return all exam materials at the end of the exam may not be graded.

GOOD LUCK!

Essay Question

Porky's was the single biggest purchaser of pig products in the United States. It served a variety of them, especially bacon, sausage, and ham, at its all you can eat buffet restaurants concentrated in the southern part of the United States.

Imagine Meatco's delight when asked to quote prices to be the exclusive supplier of pig products to Porky's. It faxed the following information on company letterhead:

bacon \$2.29 a pound

sausage \$1.99 a pound

ham \$3.19 a pound.

The quoted prices were 5 cents below the wholesale market price.

A week later, Porky's placed its first order for \$150,000 of pig products. The relationship continued for six months with Porky's emailing a weekly order and Meatco shipping the same day. No formal written contract was ever signed.

Last week, Porky's placed an unusually large order -- \$800,000 -- which Meatco promptly filled. When the shipment arrived, Porky's announced that they would not pay. They would use the last shipment as an offset to earlier overcharges. Porky's auditor just discovered that Meatco increased its prices two months ago without notification to Porky's. Meatco replied that it believed the price increases were justified given the escalating cost of pig corn; the price increases simply allowed Meatco to maintain the same profit margin.

Advise Meatco. If Meatco had consulted you six months ago, what advice would you have given?

END OF EXAM