Multi-Source Reasoning Practice Test 2

Directions: *Each of our GMAT multi-source reasoning practice tests are based on a series of information contained in text, charts, or tables. For each question you should examine the relevant information and select the best answer of the choices given.*

Email 1

Sent from a coffee shop regional manager to the branch manager.

9:14am – We're considering changing the prices of our lattes to compete with some of the local mom-and-pop stores. The nearby competition charges $2.50 for their large-size lattes. That is much cheaper than I had thought, and explains why we've been losing customers since our current large latte price is $4.00 without any additional syrups. I believe that if we change our price to $3.00, we'll be able to lure back our old customers and prevent any more of our current regulars from leaving.

Email 2

Sent from the branch manager to the regional manager.

2:06pm – I agree that a price-change may be our best bet to keep our current customers happy. However, $3.00 is a big decrease, and I'd suggest we drop the price to $3.75. If we go below $3.50 we will not be able to remain profitable.

Email 3

Sent from the regional manager to the branch manager.

3:46pm – $3.75 still puts our coffee more than $1 over our competitor's price. However, we offer syrups which the competition does not. If we charge $3.50 and include one free syrup, we'll be able to lure customer's back and stay within profitability.

Consider each of the following statements. Does the information in the three emails support the inference as stated?

Question 1

If the competition also included a free syrup, then the price of $3.50 will likely not stop the flow of customers from the coffee chain to the competition.

A Yes

B No

Question 2

The regional manager places a higher priority on keeping customers than on profitability.

A Yes

B No

Question 3

It is possible to come up with a new price that is profitable and not more or less than 20% of either the branch manager or the regional manager's initial new price suggestion.

A Yes

B No

Question 4

The branch manager would be willing to allow more customers to defect to other coffee houses if profitability was not affected.

A Yes

B No

Question 5

The branch manager will not decrease the price below $3.50.

A Yes

B No

Question 6

If the cost per syrup is .50, then the final price will negatively impact the coffee store's profitability.

A Yes

B No

Question 7

The branch manager will personally benefit from keeping the lattes profitable.

A Yes

B No

Question 8

Both the regional manager and the branch manager share common ground.

A Yes

B No