

Unit 1

1.3 Setting a Price

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Preamble

Objective

- Understand that buying and selling involves markup
- Understand how to use percentages quickly and efficiently to come up with the right price

Definitions

Markup: The difference in cash between what is bought, and then sold

percent: a term meaning out of 100, where we have some number which is in ratio with the number 100

Start

Intro

Proportions and Unit prices are good things to know on calculating basic amounts of prices, but what if we're in Canada and there is a tax on everything?

The Canadian government provides a lot of free services like healthcare, and in return we pay GST and PST (Goods and Service Tax & Provincial service tax).

Buying and selling

Lets say I'm a business owner, and I'm selling garlic and onions. Now I buy my garlic and onions from wholesalers, but I pay GST and PST on my purchase. I

also need to make some money from the deal, because I have rent to pay. How should I go about setting a price for my products?

Lets start with the markup. Markup is the change between what I bought, and what I sold. If something was 1 dollar, and I sold it for 3, the markup would be 2 dollars.

This markup is usually not a set amount, as in I'm not always going to sell something for 2 dollars more then I paid for it. More likely I'll take another method, having a percent of my initial price.

Q:Now what does percent mean?

Percent is just like those ratios we were dealing with a couple classes ago. Except with a qualifier.

A percent has to be out of 100. So some number goes on the top, and 100 ALWAYS goes on the bottom.

Lets see if we can come to an intuitive understanding of percentages.

- What is 100% of 10?
- What is 90% of 10?
- What is 70% of 10?
- What is 70% of 11?
- What is 60% of 20?
- What is 43% of 122?

We use this when dealing with PST and GST.

I buy something for 10 dollars, and I pay a 5% GST, and 5% PST. Totaling 11 dollars.

Business do this all the time to sell their goods.

Something to note: when there is a "sale" going on, this means that the company is probably selling the product for less then their intended price, but that doesn't meant they're not making money.

A sale may mean that a store is putting on a markup of 10% as opposed to the original 30%.

Bottom line: don't buy because its on sale, its a trap to try and confuse you. Investigate what you need first, and then do your research to see what is the best price.

Also: have you noticed the 4.99 approach? How much does your eye see this is? It looks like 4 dollars at first (becuase your mind reads left to right), and so you initially think, "oh, this is four dollars" and somehow forget that the .99 really means its 5 dollars. Eyes open class, eyes open.

The love of money is the root of all kinds of evil it says in 1 Tim 6:10, and we must be careful when working with it.

It is very tempting to sell something at a higher price because more people want it (in fact, in the eyes of the world this is a very smart thing to do).

But let us be content where we are. Running after more and more money will leave you empty inside.

Example 1

pg. 30

Example 2

pg. 30

Assignment

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End activity

For my project I've been finding how much garlic is, but now I need to be figuring out how much tax is on there as well. Most stores don't include tax on their price list, so you will have to add in the tax yourself.