

1. Level: Analysis (Analyzing Relationships)

Concept: Mark-up vs. Gross Margin

"In Scenario 3, you applied a 40% Mark-up based on Cost to your sneakers. However, in business, a '40% Mark-up' does *not* mean you keep 40% of the money from the sale as profit.

Analyze the difference between Mark-up Rate (based on cost) and Gross Profit Margin (based on selling price). Why is the Profit Margin percentage always lower than the Mark-up percentage? Use the data from your calculations in Scenario 3 to mathematically prove this relationship and explain why understanding this difference is critical for a business owner hoping to cover their operating expenses."

2. Level: Evaluation (Making Judgments)

Concept: Inventory Management & Mark-downs

Question:

"In Scenario 4, the 'Star Player' sneakers stopped selling, and you were faced with a difficult choice: keep the price high and sell very few, or apply a steep 20% Mark-down to clear the stock quickly.

Evaluate the decision to mark down the inventory. Do you believe it is better for a business to sell a product at a significantly reduced profit (or even a break-even point) just to get rid of it, or should they hold onto the stock hoping the trend returns? Justify your argument using business math concepts such as **Cash Flow, Liquidity, and Depreciation.**"

3. Level: Creation (Constructing a New Strategy)

Concept: Income Statement Strategy & Forecasting

Question:

"Review the Income Statement for 'Kickstart Kicks' in Scenario 5. The business currently has a Net Profit Margin of 31%.

Design a strategic plan to increase the Net Profit Margin to 40% for the next month. Your plan must propose specific mathematical changes to at least **two** of the following variables:

1. **Sales Volume** (Selling more units)
2. **Cost of Goods Sold** (Finding cheaper suppliers)
3. **Operating Expenses** (Cutting rent, utilities, or salaries)

Demonstrate your plan with a hypothetical calculation: If you implement your proposed changes, what would the new numbers look like on the Income Statement? Show the math."