Markup & Discount

- When a store sells an item for more than it paid, the extra money is used to cover expenses and to make a profit.

- The **increase** in price is called **markup**. The percent of markup is a **percent of increase**.

- The amount the customer pays is called the **selling price**

- When a store has a sale, the amount by which the regular price is **reduced** is called **discount**. The percent of discount is a **percent of decrease**

Calculating Markup & Discount

- **Markup** – to calculate markup, multiply the original price by the percent of increase, and then **add** that amount to the original price to get the selling price.

- **Discount** – to calculate discount, multiply the original price by the percent of decrease and then **subtract** that amount from the original price to get the sale price.

Example - Markup

- A store is selling a jacket for 25% over cost. The cost is $35. What is the selling price?

$35 x 25% = $8.75

$35 + $8.75 = $43.75   Selling Price

Your Turn

- In the notes section of your notebook calculate the selling price

1. Computer: $700

   Markup: 30%

2. CD Player: $120

   Markup: 20%

3. Jeans: $25

   Markup: 45%

Example - Discount

- A computer sells for $1,200. The store puts the computer on sale for 30% off. What is the sale price?

Your Turn

- In the notes section of your notebook calculate the sale price

1. Video game: $75

   Discount: 25%

2. Skateboard: $119.95

   Discount: 30%

3. Television: $675.50

   Discount   35%

Sales Tax

- **Sales tax** is an additional amount of money charged on items that people buy. The local, state & federal government receives this money.

- The total cost of an item is the price plus the sales tax.

- **NOTE: You do not pay tax on the price of an item before discount. You pay the tax on the discounted amount!**

Example – Sales Tax

- What is the total cost of a sweatshirt if the original price is $42 and the sales tax is 5½%?

Your Turn

- In the notes section of your notebook calculate the total price:

1. $2.95 notebook; 5% tax

2. $46 shoes; 2.9% tax

3. $178.90 video game; 3.75% tax