

# Class Exercise

## TERMINOLOGY

Form PAIRS and WITHOUT your book, explain the meaning of ...

1. Give the general formula for *Selling price* = ...
2. What do you call it when the income > the expenses?
3. Define the term *cost price*.
4. How would you calculate the % profit of an item?



### COST PRICE AND SELLING PRICE

cost price	the cost of manufacturing or buying a product; and is determined by production costs and operating costs i.e. $\text{cost price} = \text{selling price} - \text{profit}$
selling price	the price at which the product is sold; and is determined by factors such as cost price, profit etc. i.e. $\text{selling price} = \text{cost price} + \text{profit}$
profit	when the income is bigger than the expenses; which results in a surplus/excess of money i.e. $\text{income} > \text{expenses} \therefore \text{profit} = \text{income} - \text{expenses}$ when the selling price of an item/service is more than the cost price of an item/service; which results in a surplus/excess of money i.e. $\text{selling price} > \text{cost price} \therefore \text{profit} = \text{selling price} - \text{cost price}$
% profit	a percentage calculated which compares the relationship between the profit and cost price i.e. $\% \text{ profit} = \frac{\text{profit}}{\text{cost price}} \times 100\%$
profit margin	a measure of the profitability of a business; and a means of comparing business performance over different time intervals i.e. $\text{profit margin} = \frac{\text{profit}}{\text{income}} \times 100\%$