

## Unit 4 – Trade Discounts, Cash Discounts, Markup, and Markdown

### Extra Practice Questions

Q1. A 37.5% trade discount on a camera represents a discount of \$223.14 from the suggested retail price. What is the net price to the buyer?

Q2. The net invoice price to a car dealer is \$23,562 for a car with a manufacturer's list price of \$27,450. What is the trade discount rate to the dealer?

Q3. A retailer is offered a regular discount of 20%, a further discount of 10% if she places an order greater than \$5000, and another 5% for participating in a promotion.

- a. If the retailer is eligible for all discounts, what will be the net price of an order totalling \$7500?
- b. what is the dollar amount of the saving from the quantity discount (assuming she does not participate in the promotion)
- c. what is the dollar amount of the promotional allowance?

Q4. An invoice for \$2400, dated September 24, has terms 2/20, 1/30, n/60. What amount on October 3 will pay the invoice in full?

Q5. An invoice for \$4900, dated June 4, had terms 2/10, 1/20, and n/50. What amount was credited for:

- a. a payment of \$1000 on July 5?
- b. A payment of \$1000 on June 12?
- c. A payment of \$1000 on June 20?

Q6. John received an invoice for \$3500 with terms 5/10, 2/30 and n/60. After one payment within the 10 day discount period, a second payment of \$1057.37 within the 30 day discount period paid off the balance. What was the amount of the first payment?

Q7. Invermere Trucking made two equal payments, on June 29 and July 14, on an invoice for \$6500 dated June 25 with terms 3/10, 1/30, n/60. The payments reduced the balance owed on the invoice by \$1043.33. What was the amount of each payment? (trickier problem)

Q8. A retailer prices his inventory to allow for operating expenses of 30% of the selling price and an operating profit of 20% of selling price. If an item is priced at \$49.98, determine:

- a. The rate of markup on selling price
- b. Its cost
- c. The rate of markup on cost

Q9. A Bearberry clothing store marks up suits by 75% of cost. This provides an operating profit of 15% of the selling price. If a suit's cost to the store is \$132, determine:

- a. Its selling price
- b. The rate of markup on selling price
- c. The operating profit

Q10. Bergen Boots buys rubber boots from the manufacturer for \$15 per pair. The manager applies a 90% rate of markup on cost when pricing footwear. What is the operating profit per pair if overhead work out on average to be 20% of the selling price?

Q11. Dunmore Digital Service plans to stop carrying the TI-47 financial calculator. It normally marks up the calculator from the \$71.50 wholesale cost to the regular selling price of \$99.95

- a. What is the regular rate of markup on cost?
- b. What rate of markdown can be advertised if Dunmore Digital wishes to clear out the stock at the wholesale cost?

Q12. Woodhouse Workwear uses a markup on cost of 60% to establish its retail prices. This pricing rule builds in a profit of 25% of cost. What rate of markdown can Woodhouse Workwear offer and break even on the reduced price?

Q13. Lethbridge Lighting purchased a light fixture for \$300 less discounts of 35% and 15%. The fixture was marked up by 100% of cost. Overhead expenses are 45% of cost. During a summer sale Lethbridge Lighting offered the fixtures at 40% off. Determine:

- a. The net cost of each fixture
- b. The amount of the markup
- c. The overhead expenses per light fixture
- d. The regular selling price
- e. The sale price (reduced selling price)
- f. The rate of markup on cost at the sale price
- g. The operating profit or loss at the sale price.

Q14. Lethbridge Lighting purchased chandeliers for \$400 less 25% and 10%. The normal rate of markup on selling price is 40% and overhead is 20% of the regular selling price. The chandeliers were reduced to \$390 for the summer sale.

- a. What was the rate of markdown for the sale?
- b. What was the profit or loss on each chandelier at the sale price?
- c. At the sale price, what was the rate of markup on cost?

C=270 S=450