

Concept – Percentages and Applications

When working in Finance, the ability to quickly and confidently use percentages to perform a number of calculations is very important.

Recall that to calculate percentages of an amount use the formula:

$$\% = \frac{\textit{part}}{\textit{whole}} \times 100$$

How to - Calculate discounts

If a product is discounted by a certain percentage, the sale price can be calculated using the equation.

Example

A set of headphones normally retails for \$235.95. One store has a sale where these headphones are reduced by 12.5%. What is the sale price?

How to - Calculate markups

Shops make money by selling product for more than they buy it for. This increase in cost is called a markup. Businesses can maximise their profits by only marking up a little but selling lots of products, or by having a large markup but selling less products.

The price before the markup is often called the _____
The equation to calculate this is:

Example

The company which sells the headphones buys them from the manufacturer for \$175. If they marked these up by 16%, what would the company sell the headphones for and how much profit would they make?

How to - Calculate percentage increase or discount

If you are asked to work out the percentage increase or discount in a given situation you can use the equations:

Example

The company which sells the headphones buys them from the manufacturer for \$175. What is the percentage markup they normally use when selling the headphones for \$235.95?

How to - Calculate the original price

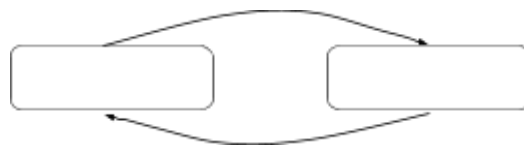
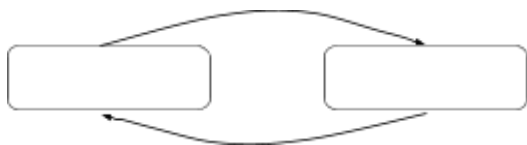
If a discount or an increase has been applied to a price, we can find the original price using the equations:

Example

The company which sells the headphones has found another manufacturer and can now have a markup of 42% to sell the headphones for \$235.95. What is the wholesale price from the new manufacturer and how much profit will the company make now?

How to - Work with GST

In Australia many products and services are subject to the Goods and Services Tax (GST). When working with GST we can use the flowcharts below.



Example

How much GST will the company need to pay for each pair of headphones they sell for \$235.95?