

Unit 3 – Consumer Decisions

3.3– Setting a Price

The prices at which goods and services are sold impact you as a consumer and those working in a business.

Prices that are set are set based on consumer supply and demand. If demand falls, or this is too much in stock, we will typically see that prices fall.

Prices may also be impacted by the cost of the materials and the labour involved in making the product or completing the service. In addition, companies want to make money, so an additional amount called a **markup** is added to the costs to ensure there is profit. The markup is usually a percent of the wholesale price.

Keep in mind, that in addition to markup, the prices we pay as consumers are also impacted by Provincial Sales Tax (PST) and Federal Goods and Service Tax (GST). PST in Manitoba is ~~8%~~ ^{7%} and GST is 5%.

Key Terms

Throughout this lesson, the following term will be used...

Markup: The amount added to the cost of an item. This is the amount a business will make from a product.

$$\text{ex) cost of can of soup} \rightarrow \$0.50 + \text{Markup} = \text{consumer cost of can of soup} \rightarrow \$1.50$$

Extend Your Thinking

1.) Name 3 goods or services that have a higher price at certain times of the year.

- car

- oil

- seasonal clothing

- gas

- food

2.) What are 2 ways that businesses advertise their products in a way that makes it seem less expensive?

- % off of price

- good advertisement

- BOGO → Buy one get one (free, half off)

- price per 100g vs. 1 kg

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Example 1: Andi purchases fabric at a wholesale price of \$46.00/m for her custom sewing business in Winkler. She charges a markup of 20% on the fabric. What will Andi charge her clients per metre?

Solution 1:

$$46.00 \times 0.2 = 9.20$$

↑
20%

$$46.00 + 9.20 = \boxed{\$55.20/m.}$$

Solution 2:

$$46.00 \times 1.2 = \boxed{\$55.20/m}$$

↑
120%

Example 2: A furniture store in Winnipeg is selling a bedroom suite. The list price for the suite is \$1599.00. What will the total cost be for a customer including PST and GST?

Solution 1:

$$\text{PST} \rightarrow 1599 \times 0.07 = \underline{\$111.93}$$

↑
7%

$$\text{GST} \rightarrow 1599 \times 0.05 = \underline{\$79.95}$$

↓
5%

$$\text{Total} \rightarrow \$1599$$

$$111.93$$

$$79.95$$

$$\boxed{\$1790.88}$$

Solution 2:

$$\text{PST} + \text{GST} = \text{total tax}$$

$$7\% + 5\% = 12\%$$

$$1599 \times 1.12 = \boxed{\$1790.88}$$

↓
112%

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3.4 Determining Sales Prices

Based on our "Buying Behaviours Quiz" it is evident that many people look for sales or **promotions** when they are purchasing goods and services. Within this lesson, we will also explore how much items cost when discounts have been applied to their regular sales prices.

Key Terms

Throughout this lesson, the following term will be used...

Promotion: Any activity that will increase the sales of certain items.

ex) roll up the rime, McD's monopoly, discount, sale, etc.

Example 1: Jonas needs to buy a new jacket, but has decided to wait for a Black Friday Sale. While shopping, he found a jacket that originally cost \$249.95 now discounted 20%. How much will the jacket cost if Jonas lives in Nunavut, where there is no PST?

$$\$249.95 \times 0.2 = \underline{\$49.99} \leftarrow \text{what we save.}$$

$$249.95 - 49.99 = \underline{\$199.96} \leftarrow \text{discounted price}$$

Taxes added → $\$199.96 \times 1.05 = \boxed{\$209.96}$
(GST only)

Example 2: Dallas sells fresh seafood from the East coast. As the weekend ends, he needs to sell off his stock, otherwise it will spoil. He decides to have a sale where he offers customers 20% off all of his prices. If Salmon regularly costs \$18.50/kg, what is the price of a salmon that is 3kg and has a 20% discount?

$$\frac{18.50}{1\text{kg}} = \frac{\boxed{\$55.50}}{3\text{kg}}$$

$$55.50 \times 0.20 = \boxed{\$11.10}$$

$$55.50 - 11.10 = \boxed{\$44.40/3\text{kg}}$$

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3.3 & 3.4 Practice

1. Daniel owns a clothing store. He buys an order of shirts for \$22.75 per shirt. In order to make a profit, he wants to mark them up 60%. What will the list price be for customers?

\$36.40

2. An outfitter in The Pas, Manitoba sells full-brim aluminum hard hats for \$49.95 and steel-toed work boots for \$129.95. If you purchase a hard hat and two pairs of boots, what will your total cost be, including taxes? Show your subtotal, what you do to include the taxes, and total.

Subtotal = \$309.85
+ \$15.49
GST
PST \$21.69

Total \$347.03

3. If the outfitter in question 2 opens a store in Gillam, Manitoba where exploration for oil is taking place, it may sell hard hats and work boots for 10% more than it charges in The Pas. What would you pay for a hard hat and a single pair of steel toed boots in Gillam?

SUBTOTAL → \$340.84
GST → \$17.04
PST → \$23.86

Total → \$381.74

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4. George works for a retail hardware store in Dauphin, Manitoba. He buys 3 sinks for \$89.95 each, 2 bathtubs at \$639.95 each, and 2 faucets for \$74.95 each. He sells one sink, one bathtub, and 2 faucets to a customer at a 25% markup. How much does he charge his customer?

Selling prices
 sink → \$112.44/sink
 bath tub → \$799.94/tub
 faucet → \$93.69/faucet.

Customer Charge

SUBTOTAL → 1099.76

GST → 54.99

PST → 76.98

Total → \$1231.73

5. Briana runs an organic blueberry farm in Fraser Valley, BC. She sells her crop in three ways: direct to customers who come to the farm, at \$3.50 a quart; at the local farmers' market at \$3.99 a quart; and wholesale to organic food stores for \$2.00 a quart.
- a) If she sells 50 quarts at \$3.50, 175 quarts at \$3.00, and 250 quarts at \$2.00, what is her total income?

Total → \$1200

- b) Compare her income from 100 quarts sold directly at the farm to 100 quarts sold to a wholesaler. What is the difference in income?

<u>Farm</u>	<u>Wholesale</u>	<u>Difference</u>
\$350	\$200	\$150 less at wholesale

- c) Why would Briana sell to a wholesaler?

She can sell a lot more,
 which still means more income if
 the price is less

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6. A supermarket regularly charges \$5.89 for a package of Pizza Pockets. During a sale, the supermarket offers this promotion: "Buy one at the regular price, get a second one for half price."

a) If Marcus buys two packages, what will he pay?

\$8.84

b) Approximately what percent does Marcus save during this sale? Explain your reasoning.

$$\frac{\text{savings}}{\text{original price}} \times 100 = \frac{2.95}{11.78} \times 100 = 25\%$$

7. Poncho works at a sports store in Portage la Prairie, Manitoba where the price of a best-selling tennis racquet is \$49.95. His friend Arty works at a competitor's store where the regular price of a similar tennis racquet is \$55.95, but it is on sale at 15% off. Arty says his store offers the best price.

a) Calculate the total price of the tennis racquet at each store, including both taxes.
Remember to include 13% taxes in each price!

Poncho

\$55.94

Arty

47.56 + taxes

= \$53.27

b) Is Arty right? Explain why or why not.

Yes. The 15% off is still more than you save in taxes.

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8. A hairstylist at Studio 005 is preparing a discount offer. The regular cost of highlighting is \$55.00. To attract more customers early in the day, they offer 15% off for appointments before 10:00 am. Mid-afternoon is also a slow time on Wednesdays and Thursdays, so they offer \$5.00 off coupons for appointments made during those times.

a) Which appointment time will get you the lowest price?

Price before 10am: \$46.75/appointment

price before 10am (15% off)

Price mid-afternoon: \$50/appointment

b) Which promotion do you think will appeal to more people, coupons or percent off. Explain your thinking.

*Coupons people can understand what they are saving a little easier.

9. Pole mount industrial fans are on sale at two wholesalers. An electrician needs 20 fans for installation in an office building. The sale price at the first store is 5% off the regular price of \$157.00. The price at the second store is \$165.00 each, but \$149.00 for 10 or more. Only GST applies.

a) Calculate the cost of 20 fans at each store.

Store 1

SUBTOTAL → \$2983
GST → 149.15

Total → \$3132.15

Store 2

SUBTOTAL → 2980
GST → 149

Total → \$3129

b) Which wholesaler offers a better buy?

Store 2

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10. A storewide sale advertises the following sales items: a shirt that was \$31.99 is marked down to \$19.99, shorts that were \$24.95 are marked down to \$16.95, and a jacket that was priced at \$49.99 is marked down to \$24.99.

a.) Calculate what percentage of markdown each item has been given

<u>Shirt</u>	<u>Shorts</u>	<u>Jacket</u>
$\frac{12}{31.99} = 37.5\%$	$\frac{8}{24.95} = 32.1\%$	$\frac{25}{49.99} = 50\%$

b.) On which item would the customer save the most?

Jacket

c.) If a customer bought all 3 items, how much would they save in total?

\$45