CHAPTER 8 – Trade and Cash Discounts

Mathematics of Buying

- List Price
- Trade Discounts
- Net Price

Learning Outcomes

- Find the **Trade Discount** using a single trade discount rate, and the **Net Price** using the trade discount.

- Find the **Net Price** using the complement of the single trade discount rate.

Key Terms…

- **Suggested retail price, catalog price, list price.**
  - Three common terms for the price at which the manufacturer suggests an item be sold to the consumer.
- **Trade discount**
  - The amount of discount that the wholesaler or retailer receives off the list price, or the difference between the list price and the net price.

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- **Net price**

  The price the manufacturer or retailer pays, or the list price minus the trade discount.

  Price = List Price - Discount

- **The Discount**

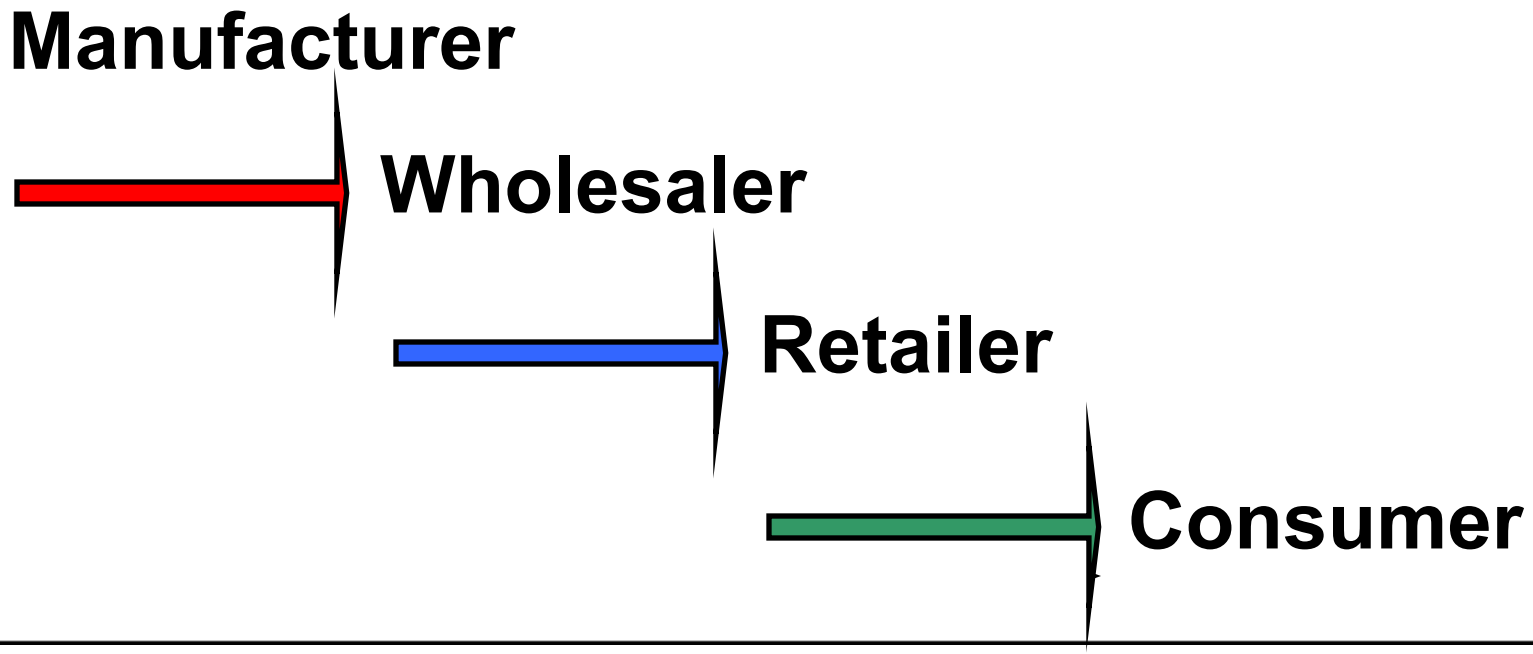
  Discount = List Price * Discount Rate

- **Discount rate**

  A percent % of the list price assigned by the Seller.

Product and Price Flow

Consumer	Retailer	Wholesaler	Manufacturer
List price	Net price	Net price	Cost
	Discount off list	Discount off list	
$80	$56	$40	$20
	30% off list	50% off list	



Find trade discount using a single trade discount rate; find net price using the trade discount

- List prices and discounts apply the percentage formula.
  - The portion is the trade discount ***P***.
  - The base is the list price ***B***.
  - The rate is the single trade discount rate ***R***.

$$P = B * R$$

Portion (part) = rate (percent) *base (whole)

Find trade discount using a single trade discount rate

Identify the single discount rate and the list price.
Multiply the list price by the single discount rate.

Trade discount = Rate x List Price

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An Example…

Identify the single discount rate and the list price.
Multiply the list price by the single discount rate.

Trade discount = rate x list price

Find the trade discount for a cd player that retails at $120 and has a trade discount rate of 35%.

Trade discount = 0.35 x $120

Trade discount = $42

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Examples…

- Find the **trade discount** for a rug that lists for $290 and has a trade discount of 30%.

  $290 * 0.30 = $87

- Find the **trade discount** for styling gel that lists for $18 and has a trade discount of 15%.

  $18 * 0.15 = $2.70

Calculating Single trade discount method

1- Identify the list price and the trade discount.

2- Subtract the trade discount from the list price.

Trade discount = Rate x List Price

Net Price = List Price – Trade discount

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An Example…

Calculating Single trade discount method

1- Identify the list price and the trade discount.

2- Subtract the trade discount from the list price.

Trade discount = Rate x List Price

Net Price = List Price – Trade discount

Find the net price of a desk that lists for $320 and has a trade discount of 30%.

Trade discount = $320 x 0.30 = $96

Net price = List price – Trade discount

Net price = $320 – $96 = $224

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The Complement Method

- Another method for calculating the net price uses the *complement* of a percent.
  - The **complement of a percent** is the difference between 100% and the given percent.
- The complement of the single trade discount rate can be used to find the net price.

Find the net price using the complement of the single discount rate

1- Subtract the single trade discount from 100%.

2- Multiply the list price by the complement of the single trade discount.

Examples:

Find the **Net Price** of a coffee maker that lists for $20 and has a trade discount rate of 20%.

- **Complement of percent**
  - The difference between 100% and the given percent.

Examples:

The complement of 30% is 70%.
The complement of 55% is 45%
The complement of 5% is 95%.

List price	Discount (amount off list)	Net price (amount paid)
100%	25% of list price	75% of list price
100%	20% of list price	80% of list price
100%	40% of list price	60% of list price
100%	50% of list price	50% of list price

Examples

- Find the **net price** of a Laptop that lists for $1,500 and has a trade discount of 15%.

  $1500 * 85% = $1275

- Find the **net price** of a bicycle that lists for $102 and has a trade discount of 30%.

  $102 * 70% = $71.40

End of a section

Thank you,

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