

MARK-UP PERCENT

A mark-up is the percent of total cost that is profit. A 30 percent mark-up on a \$10 dollar item means we sell the item at \$13.00. (\$3 of profit.) This dollar amount is achieved using *multiplication*. (\$10 multiplied by 1.3 or 30 percent on your calculator equals \$13.00.)

GROSS MARGIN

A margin is the percent of the SELLING PRICE that is profit. What do you need to remember? Just this: A margin means more money for you. A margin is calculated differently. The dollar amount (sell price) is achieved using *division*. (\$10 divided by .7 equals \$14.28. (\$4.28 in profit) You make more money using margin...\$13.00 vs. \$14.28 is a big spread. (How do you figure out what to divide by: Start with 100 and subtract the number you wish to use, in this case “30” which gives you 70 or .7)

General rule: Use margin whenever possible.

WHAT WAS MY MARGIN ON THAT SALE?

Subtract your total cost from your sell to get you total profit.

A \$13 dollar item that had a total cost of \$10 = \$ 3 in profit. Divide the \$3 in profit by your sell price. Thus, \$3 divided by \$13 = .23 percent margin. Now do you see how a 30 percent mark-up does not equal a 30 percent margin?