

Unit 5 Lecture Notes and Handout 1 (learning unit 7-1 in the book)

Trade Discounts: Single and Chain

Defn: A Single Trade Discount is the discount that a manufacturer gives a retailer off the list price.

Defn: The list price is the price that a manufacturer recommends that the item be sold for.

example: Berock athletic shoe company recommends that their Airhead shoes be sold to the customer for \$125. Runners' Forum wants to buy some to sell to their customers. Berock says they will give Runners' Forum a single trade discount of 30%. What do the shoes cost Runners' Forum?

<i>list price</i>	<i>100%</i>	<i>\$125</i>
<i>- sin. trad. disc.</i>	<i>30%</i>	
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<i>cost</i>		

Defn: The net price is the price paid by the retailer.

In the above example the net price is \$87.50.

Defn: A chain discount is a series of two or more trade discounts.

example: Berock offers a discount of 20/15/8 to Runners' Forum on their \$125 shoes. What does Runners' Forum pay?

$$078/\$ = (76)(58)(08)571\$$$

Defn: The Net Price Equivalent Rate is the number that you would multiply the list price by to get the net price in one step.

In the last example the net price equivalent rate is:  $(.80)(.85)(.92) = .6256$

Defn: The Single Equivalent Discount Rate is the single trade discount rate that is equivalent to the chain discount.

In the last example the single equivalent discount rate is:  $100\% - 62.56\% = 37.44\%$

Worksheet:

1.) Fill in the following chart:

Item	List	Single Trade Discount	Net Price
TV	\$900	30%	_____
Typewriter	_____	40%	\$600

2.) Find the net price and trade discount for a stove with a list price of \$1,400 and a chain discount of 13/10/4 .

3.) Which option yields the highest single equivalent discount?

Option A	Option B
9/10/17	9/11/16

4.) Complete the chart.

<u>Item</u>	<u>List</u>	<u>Chain discount</u>	<u>Net price equivalent rate</u>	<u>Single equivalent rate</u>	<u>Amount of trade discount</u>	<u>Net price</u>
Rug A	\$500	15/20	_____	_____	_____	_____
Rug B	\$1400	18/12	_____	_____	_____	_____