MTH 134 UNIT 5 LECTURE NOTES AND HANDOUT 4

MARKDOWNS AND PRICING PERISHABLES

Sometimes a store will markdown a price from the original selling price for various reasons.

example 1: Suppose Runners' Forum has a running suit that has gone out of style. Suppose they originally bought the suit for $90 and they had a 40% markup based on cost. Later since the suit didn't sell they marked it down 40%. What is the new selling price?

Sometimes a store will need to sell items for a price that will cover their losses due to spoilage.

example 2: Suppose a fruit stand owner orders 1000 lbs of bananas and she expects that 5% of them will spoil. She paid 15 cents per pound and marks them up 55% based on cost. What price per pound should she charge in order to have her markup and cover her losses due to spoilage?

Now try these two problems:

1. Suppose Meijers has a jacket that cost them $25 and they have a markup rate based on cost of 80%. Later they mark it down 15%. The jackets that don't sell for that price get marked down an additional 30%. Later the few remaining jackets get marked down an additional 40%. What is the final selling price of the jackets?

2. In downtown Boston a bakery produces 200 bagels a day at a cost of $0.20 each. It is expected that 15% of the bagels will spoil before being sold. Assuming the bakery expects to make a 40% markup on its cost what should the selling price of each bagel be?