

Price Problem Practice

1. Jeannie's Jammies expects to sell 100,000 pajamas this spring for \$39.99. The cost to manufacture and market the pajamas is \$29.99 each. What is the Break Even Point? _____
(Show your work)



2. Shelly's Shampoo suggests a list price of \$ 15.00 per bottle (MSRP). The trade discounts are 30% for retailers and 10% for Wholesalers. What is the Shelly's Shampoo's (manufacturer) going to charge the wholesaler (this is what the wholesaler pays)? _____ (Show your work)



3. It costs Miranda's Microphones cost \$10 each to manufacture and market the microphone. She sells the microphones for \$100 each to the wholesalers. What is the ROI (Return on Investment)? _____ (Show your work)



KEY

1. Break Even Point: $\frac{\$100,000 \times \$39.99}{\$29.99} = \frac{\$3,999,000}{\$29.99} = 133,345 \text{ pajamas}$

2. Mark Up:

MSRP \$15

Retailer's Markup 30% (.3 x \$15) = \$4.50

Wholesaler's Price to Retailer \$15 - \$4.50 = \$10.50

Wholesaler's Markup 10% x \$10.50 = \$ 1.05

Manufacturer's Price to Wholesaler \$10.50 - \$1.05 = \$9.45

3. **ROI:** $\frac{\$100 - \$10}{\$10} = \frac{\$90}{\$10} = 9 \text{ microphones}$