**Student Notes Outline KEY**

OBJECTIVES:

* Calculate an assortment of discounts
* Assimilate a retail environment through use of word problems in calculating assortments of discounts
* Demonstrate knowledge of correct procedures in calculating cash/trade discounts
* Demonstrate understanding of trade/cash discounts by calculating EOM and ROG terms
* Demonstrate proficiency with math calculations
* Calculate quantity and cumulative quantity discounts

What are the Advantages of Discounts?

Allows BUYERS/MERCHANTS the “best deal”

Provides an INCENTIVE to do business w/company

GENERATES $$$ for Open to Buy

* Merchant has more $$ available to PURCHASE ADDITIONAL MERCHANDISE
* Merchant is more capable to generate PROFIT

Types of Discounts

1. SEASONAL
* Purchases must be made well in advance
* Usually at least SIX MONTHS in advance
* Deep SAVINGS for merchants w/STORAGE.
* Buy LARGE QUANTITIES and store in WAREHOUSE
1. QUANTITY
	* The MORE units ORDERED, the more $$ **SAVED**
	* Incentive to PURCHASE MASS QUANTITIES
2. CUMULATVE QUANTITY

A RUNNING total is kept so DISCOUNT INCREASES as more orders are placed

CHAIN - Expressed as:

* Less 15%, 10%, 5% (percentages will vary)
	+ \*\*DO NOT add PERCENTAGES before taking DISCOUNT
	+ \*\*Take each percentage SEPARATELY from BALANCE

*Example of Chain Discount:*

A tire manufacturer sells radial tires for $85, less 15%, 9%, 4%.

**$85.00 x .15 = $12.75** **$72.25 x .09 = $6.50** **$65.75 x .04 = $2.63**

**$85.00 - $12.75 = $72.25** **$72.25 - $6.50 = $65.75** **$65.75 – 2.63 = $60.42**

**PART TWO OF PRESENTATION**

1. TRADE CREDIT/CASH DISCOUNTS
	* Allows MERCHANT to sell merchandise prior to billing
	* Gives EXTRA time to generate PROFIT
	* Most companies deal with more than one VENDOR
	* Bills are PAID as terms MATURE
	* Shown on INVOICE as “Terms:”

Note: Each numeral in the equation may vary:

***Expressed as:***

2/15, n/60 or 2/15, net 60 or 2/15, n60

***Interpreted as:***

2% discount if paid within 15 days of the date of the invoice.

All is due 60 days from date of invoice, if the discount is not taken.

**Example:**

**Invoice Amount:** $599.65

**Date of Invoice:** Nov. 12, 2013

|  |  |
| --- | --- |
| **Terms:** | 3/10, n/60 |

When does the discount deadline end? Nov. 22

When is the final payment due if discount is not taken? Jan 11

What is the amount payable w/discount? $581.66

* Do you know how many days are in each month?
* Use the knuckle method
* Make a fist and look at your knuckles.
* The first knuckle is “January.” February is in between. The second knuckle is “March.” “April” is in between. “May” is the 3rd knuckle. “June” is in between. “July” is the last knuckle. Start again on the first knuckle and it’s “August.” “September” is in between. “October” is the next knuckle. “November” is in between. “December” is the next knuckle.
* All “Knuckles” have 31 days; the in-betweeners have 30 with the exception of February, which has 28 days.