

Subject: Business Studies

Class: JSS 2 A & B

Topic: TURNOVER AND NET PROFIT

Learning Objectives:

1. Define Gross and Net Profit
2. Calculate gross and Net Profit
3. Explain Turnover Rate

PURCHASES: This is the act of buying or acquisition of goods for sale or used.

SALES: This is the act of reselling the goods purchased or bought.

MARK-UP: This is the additional amount of money added to goods purchased before sales or resale.

GROSS PROFIT: This is the amount of money made by a retailer or a business man or woman after sales of goods. Gross profit is calculated when the cost of goods is removed from the sales price. Sales - cost of goods.

Example:

| Famvar | school |
|---|---------------|
| # : K | |
| 20 cartons of Marker at #15,000 each 300,000.00 | = |
| 10 packets of Blue Pen at #5,000 each. 50,000.00 | = |
| 10 dozens of Cardigan at #10,000 each. 100,000.00 | = |
| 10 dozens of Books at #9,000 each 90,000.00 | = |
| Total cost. 540,000.00 | = |
| Mark-up is 10% which is $540,000 \times 10 \div 100$ 54,000.00 | = |
| Total sales which is $540,000 + 54,000$ 594,000.00 | = |
| Gross profit is total sales i.e. 594,000.00 - total cost i.e. 540,000.00 = 54,000.00 | |

EXPENSES: This is the total amount of money spent in cost of doing business.

The Famvar school made expenses like, Fueling the school bus, Paying the driver and the Secretary, payment of Electricity bill, payment of Cleaners etc.

The school paid for fuel #2,000, paid the Driver #5,000, paid for Electricity #2000, paid the Secretary #5,000 and the Cleaner #3,800. The total expenses will be #17,800.00.

NET PROFIT: This is gotten when the school removed the expenses incurred in doing business from the gross profit. Which is #17,800 removed from #54,000. The net profit will be #36,200.00

Example:

| |
|----------------------|
| Famvar school |
|----------------------|

| | | |
|--|----------|-------------------|
| Sales. | = | #594,000.00 |
| Cost of goods sold | = | #540,000.00 |
| Gross Profit | = | #54,000.00 |
| Expenses. | = | #17,800.00 |
| Net Profit. | = | #36,200.00 |
| The return or Profit on capital used in doing business is #36,200.00 (Net Profit) | | |

MARK-UP: This is the additional amount of money added to goods purchased before resale or sales. This is the amount added to the total cost of goods or services in order to determine the selling price and also make Profit. Any % you added \times cost of goods.

Mark up include:

- Cost of product
- Payments/wages or salaries of workers
- Electricity bill
- Fueling

When all these costs are removed from the sales price of a product, the balance is the net Profit.

Example of the Net Profit in percentage:

| | | |
|----------------------------|----------|---|
| Net Profit. | = | $36,200 \times 100 = 3.620,000 \div$ |
| Cost of goods sold. | = | 540,000 ($3.620,000 \div 540,000 = 6.7$). |

TURNOVER: this is the total net sales of a business during a given period of time. It is calculated as the total gross sales of a business less returns inwards, i.e, Total gross sales - Return inwards.
(ii) Rate of turnover is the number of times the average stock of a business is sold during a given period of time.