### EXAMPLE 2

#### **Finding a Markup Percent**



You live near a designer handbag outlet store. The store sells discontinued and slightly damaged handbags at prices that are well below normal retail prices. You buy a handbag for \$195. The handbag normally retails for \$895. You then put the handbag on eBay<sup>®</sup> and sell it for \$395.

- **a.** What is your markup and markup percent?
- **b.** Is your markup the same as your profit? Explain.



## **Study Tip**

"Wholesale price" is a relative term. In Example 2, you are the retailer, so the price you pay at the outlet store becomes your wholesale price.

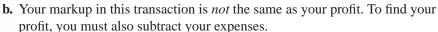
### **SOLUTION**

a. Your markup is

$$Markup = 395 - 195 = $200.$$

Your markup percent is

Markup percent =  $\frac{200}{195}$  Wholesale price  $\approx 1.026$ = 102.6%.



eBay® insertion fee	\$2.00	Fee charged for listing
Final value fee	\$35.55	9% of \$395
PayPal fee	\$11.76	2.9% of \$395 + \$0.30
Sales tax	\$11.70	6% paid at outlet store
Shipping	\$22.50	Mail handbag to customer
Other expenses	\$35.00	Supplies, transportation
Total	\$118.51	

Your profit is

Markup – Expenses = 
$$200.00 - 118.51$$
  
= \$81.49.

So, your markup is not the same as your profit. If you spend 5 hours in traveling, shopping, Internet use, correspondence, wrapping, and shipping, then your hourly wage is \$16.30.

# Checkpoint

Help at Math.andY@U.com

A bookstore pays \$140 for a textbook and sells it for \$200. The bookstore manager determines that the retail price of the book is a 30% markup because \$60 is 30% of \$200. Is this a correct use of the term *markup*? Explain your reasoning.

