

Subject: Business Studies  
Class: JSS 2  
Week: 11  
Topic: TURNOVER AND NET PROFIT

**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.

**NET PROFIT:** This is the amount left when overhead cost is removed from gross profit.

**TURNOVER:** This is the number of times a retailer replenishes or buys stock, products or goods.

Example:

<b>Famvar school</b>	<b>#:</b>	<b>K</b>
20 cartons of Marker at #15,000 each ( $20 \times 15,000$ ) =		300,000.00
10 packets of Blue Pen at #5,000 each. ( $10 \times 5,000$ ) =		50,000.00
10 dozens of Cardigan at #10,000 each. ( $10 \times 10,000$ ) =		100,000.00
10 dozens of Books at #9,000 each. ( $10 \times 9,000$ ) =		90,000.00
<b>Total cost.</b>	<b>=</b>	<b>540,000.00</b>

Mark-up is **10%** which is  $540,000 \times 10 = 5,400,000 \div 100 = 54,000.00$

**Total sales, which is Total cost 540,000 + Mark-up which is 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**

**Total cost = 540,000.00**

**Mark-up = (10%) 54,000.00**

**Total sales = 594,000.00**

**Gross profit = 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, Payment of the driver and the Secretary, payment of Electricity bill, payment of Cleaners etc.

Fuel #2,000.00

Driver #5,000.00

Electricity #2000.00

Secretary #5,000.00

Cleaner #3,800.00

**Total = #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 considerations includes:

- 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.**  $36,200 \times 100$   
**Cost of goods sold.** 540,000

3.620,000  
540,000  
 = 6.7%

**TURNOVER** simply means the number of times a retailer buys stock or product. If a retailer buys stock or product every four months, turnover stock would be three times a year; that is:

Number of months new stock or product is bought = 4  
 Number of months in a year = 12  
 Turnover =  $\frac{12}{4}$   
 = 3

The retailer is not interested in the number of times stock is turned over. His or her interest is in the amount of money made. If in the three times the stock was turned or bought over, his/her purchases for the first four months was #500,000.00, second #300,000.00 and third #700,000.00. The retailer's total purchases for the year would be #1.5000000.00.

Rate of turnover is the number of times the average stock of a business is sold during a given period of time.

**Average turnover** is

$$\frac{\text{Total purchases (divided by)}}{\text{Number of times stock turned over}}$$

i.e.,  $\frac{1.5000000.00}{3}$

**= #500,000.00**