WHAT IS PROFIT?

Money or Value
EARNED
from customers

minus

Money or Value
USED
to earn

We EARN when we provide a product or service to a customer.
It doesn't matter if the customer has paid us yet or not.

We USE or INCUR costs when we benefit from something (a service or product that we use) that helps us earn from customers.
It doesn't matter if we have paid for that product or service yet or not.
Some examples include rent we pay for our store, our cell phone bill, paying for electricity or salaries.

WHAT IS PROFIT?

Revenues

minus

Expenses

*=Net Income (Profit)
or Net Loss*

The money we earn from customers is called Revenue.

The costs we incur are called Expenses. They help us earn Revenues.

Revenues minus expenses is profit or net income.
If we spend too much in expenses, we might have a net loss.
That is when expenses are greater than revenues.

PROFIT EXAMPLE

Revenues	
Services	$10,000
Expenses	
Rent	$2,000
Utilities	$1,500
Salaries	$4,000
Total	$7,500
Net Income	$2,500

Here is an example of a service company with a net income.

Some example of service companies are:
Golf courses
Hair salons
Landscapers

They sell us a service, but not a physical product

LOSS EXAMPLE

Revenues	
Services	**$10,000**
Expenses	
Rent	**$5,000**
Utilities	**$1,500**
Salaries	**$4,000**
Total	**$10,500**
Net Loss	**($500)**

Here is an example of a service company with a net loss.

MERCHANDISING

A business that buys a product at one price (cost).

Then sells it to their customers for a higher price (selling price).

Merchandising is a type of business that sells their customer a product of physical item.

Merchandisers buy the item and then sell it, hopefully for more than they paid for it.

Some example of merchandisers include:
Walmart
Apple
Academy Sports

Walmart buys soup from Campbell's maybe for 25¢ per can.
That's called cost.

Then they sell it to their customers for $1 per can.
That's called selling price.

MERCHANDISING

Selling Price
= Sales Revenue

Cost
= Cost of Goods Sold
a new kind of expense

Gross Profit
=Revenue – COGS

We hope selling price is greater than cost so that we can earn a gross profit.

The $1 selling price is our revenue.
The 25¢ cost is an expense called cost of goods sold.
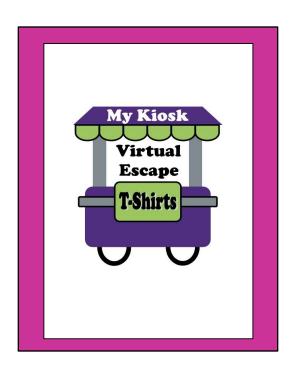The difference is our gross profit.
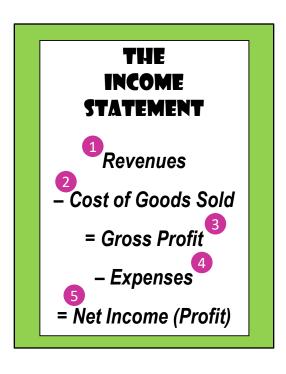
MERCHANDISING

Sales Revenue

–Cost of Goods Sold

=Gross Profit

–Remaining Expenses

*= Net Income (Profit)
 or Net Loss*

But merchandising companies also have other expenses just like service companies like rent, utilities, and salaries.
Those get subtracted from gross profit to calculate net income or loss.

MAKE A VIRTUAL ESCAPE

Unlock 5 virtual locks online

THE INCOME STATEMENT

(1) *Revenues*

(2) *– Cost of Goods Sold*

(3) *= Gross Profit*

(4) *– Expenses*

(5) *= Net Income (Profit)*

TO FIND
THE LOCK CODES
YOU'LL NEED:

Category Cards

Transaction Cards

Laptop (Website/Locks)

Teamwork

Maybe some hints.

CARD SORTING (TASK 1)

4 Category Cards

12 Transaction Cards

Put each transaction with one of the 4 categories

INCOME STATEMENT ESCAPE (TASK 2)

On website, enter category totals as lock codes

5 open locks =ESCAPE!

NEED HELP?

*Ask for a hint
if you can't
get a lock open*

AFTER YOU ESCAPE

Think about …

*Are you pleased with your profit
(net income)?*

And

What actions would make it better?