

## **profit and loss?**

### **What is Profit?**

When a person does a business transaction and gets more than what he had invested, then he is said to have profit. The profit he gets will be equal to the additional money he gets other than his investment.

So profit can be understood as the extra money one gets other than what he had invested.

Eg: A person bought an article for Rs. 100 and sold it for Rs. 120. Then he got Rs. 20 extra and so his profit is Rs. 20.

### **What is Loss?**

When a person gets an amount less than what he had invested, then he is said to have a loss. The loss will be equal to the deficit he got than the investment.

Eg: A person bought an article at Rs. 100 and sold it for Rs. 90. Then he got a deficit of Rs. 10 and so his loss is Rs. 10.

### **Cost Price (CP):**

The money that the trader puts in his business is called Cost Price. The price at which the articles are bought is called Cost Price.

In other words, Cost Price is nothing but the investment in the business.

### **Selling Price (SP):**

The price at which the articles are sold is called the Selling Price. The money that the trader gets from the business is called Selling Price.

In other words, Selling Price is nothing but the returns from a business.

### **Marked/Market/List Price (MP):**

The price that a trader marks or lists his articles to is called the Marked Price.

This is the only price known to the customer.

## **Discount:**

The waiver of cost from the Marked Price that the trader allows a customer is called Discount.

## **Note:**

1. Profit or loss percentage is to be applied always to the Cost Price only.
2. Discount percentage is to be applied always to the Marked Price only.

## **Understanding Profit and Loss:**

So, by now we came to know that if CP is increased and sold it would result in profit and vice versa.

Also whatever increase is applied to CP, that increase itself is the profit.

For Rs. 10 profit, CP is to be increased by RS. 10 and the increased price becomes SP.

For 10% profit, CP is to be increased by 10% and it is the SP.

(From previous chapter we know that any value increased by 10% becomes 1.1 times.)

So, for 10% profit, CP increased by 10%  $\Rightarrow 1.1CP = SP$ .

- o  $SP = 1.1CP \Rightarrow SP/CP = 1.1 \Rightarrow 10\%$  profit
- o  $SP = 1.07CP \Rightarrow SP/CP = 1.07 \Rightarrow 7\%$  profit
- o  $SP = 1.545CP \Rightarrow SP/CP = 1.545 \Rightarrow 54.5\%$  profit and so on.

Similarly,

- o  $SP = 0.9CP \Rightarrow SP/CP = 0.9 \Rightarrow 10\%$  loss (Since 10% decrease)
- o  $SP = 0.76CP \Rightarrow SP/CP = 0.76 \Rightarrow 24\%$  loss and so on.

So, to calculate profit % or loss %, it is enough for us to find the ratio of SP to CP.

Note:

1. If  $SP/CP > 1$ , it indicates profit.
2. If  $SP/CP < 1$ , it indicates loss.

Multiple Profits or losses:

A trader may sometimes have multiple profits or losses simultaneously. This is equivalent to having multiple changes and so all individual changes are to be multiplied to get the overall effect.