



Business Finance: Projecting Profits

Projecting profits helps you to decide if a product is worth your time to sell.



Lesson Objective

Students will learn how to make a chart and equation for projecting profits.



Words to know

Gross Profits: The revenue brought in on the sale of an item before expenses are subtracted.

Net Profits: The amount of a financial benefit seen when revenue is greater than the expense.

Ex: I bought a t-shirt for \$2.00 and later sold it for \$5.00. I made \$3.00 in profits.



Words to know

Revenue: Money earned while doing business.

Expense: The cost(s) of doing business.



Gross Profits

Assume you have a company that sells
candy bars for \$1.00 each.
What is your Gross Profit if
you sell 1 candy bar?



Gross Profits

Assume you have a company that sells candy bars for \$1.00 each.

What is your Gross Profit if you sell 1 candy bar?

\$1.00 because that is how much money you now have.



Gross Profits

What if you sell 2 candy bars
at \$1.00 each?



Gross Profits

What if you sell 2 candy bars
at \$1.00 each?

$$2 \times \$1.00 = \$2.00$$



Gross Profits

Complete the chart to project your Gross Profits based on a sale price of \$1.00.

Candy Sold	Gross Profits – \$1.00 each
1	\$1.00
2	\$2.00
3	
4	
5	
6	
7	
8	
9	
10	



Gross Profits

That was pretty easy. Now create an equation that explains what you did?

Candy Sold	Gross Profits– \$1.00 each
1	\$1.00
2	\$2.00
3	\$3.00
4	\$4.00
5	\$5.00
6	\$6.00
7	\$7.00
8	\$8.00
9	\$9.00
10	\$10.00



Gross Profits

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Candy Sold	Gross Profits – \$1.00 each
1	\$1.00
2	\$2.00
3	\$3.00
4	\$4.00
5	\$5.00
6	\$6.00
7	\$7.00
8	\$8.00
9	\$9.00
10	\$10.00

$$\text{Number of Items Sold} \times \text{Sale Price} = \text{Gross Profits}$$



Gross Profits

Use the equation to project your Gross Profits at the new cost of \$1.50.

Candy Sold	Gross Profits– \$1.50 each
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

$$\text{Number of Items Sold} \times \text{Sale Price} = \text{Gross Profits}$$



Gross Profits

Use the equation to project your Gross Profits at the new cost of \$1.50.

Candy Sold	Gross Profits – \$1.50 each
1	\$1.50
2	\$3.00
3	\$4.50
4	\$6.00
5	\$7.50
6	\$9.00
7	\$10.50
8	\$12.00
9	\$13.50
10	\$15.00



Net Profits

Gross Profits can be deceptive because they do not account for how much you had to spend in order to make that profit.

Net Profits gives us a more accurate picture of the amount of money we make.

$\text{Net Profits} = \text{Gross profits} - \text{Expenses}$



Net Profits

Net Profits = Gross profits - Expenses

If you buy a candy bar for \$0.50, your expense for that candy bar is \$0.50.

If you sale that same candy bar for \$2.00, what will your Net Profit be?



Net Profits

Net Profits = Gross profits - Expenses

If you buy a candy bar for \$0.50, your expense for that candy bar is \$0.50.

If you sale that same candy bar for \$1.50, what will your Net Profit be?

$$\text{Net Profits} = \$1.50 - \$0.50$$

$$\text{Net Profits} = \$1.00$$



Net Profits

If you buy 100 candy bars for \$0.50 each and then sale them at \$2.50 each, what will your Net Profits be?



Net Profits

If you buy **100** candy bars for **\$0.50** each and then sale them at **\$2.50** each, what will your Net Profits be?

Net Profits = **Gross profits** - **Expenses**

Expense = $100 \times \$0.50 = \50.00

Gross Profits = $100 \times \$2.50 = \250.00

Net Profit = $\$250.00 - \50.00

Net Profit = $\$200.00$



Review:

1. What is the equation for projecting Net Profits?

2. If you buy 200 Candy bars at \$0.75 each and then sale them for \$1.50 each, what will your Net Profits be?



Review:

1. What is the equation for projecting Net Profits?

$$\text{Net Profits} = \text{Gross profits} - \text{Expenses}$$

2. If you buy 200 Candy bars at \$0.75 each and then sale them for \$1.50 each, what will your Net Profits be?

\$150.00