PRACTICAL AND FINANCIAL LITERACY

Profit and Loss

Difficulty level: Easy

Practical and Financial Literacy

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Overview of the concept

This is how you know whether selling lemonade, handmade crafts, or anything else actually made you money after paying for what it cost to make. A lemonade stand that takes in fifty dollars but spent forty on lemons, sugar, and cups made ten dollars, not fifty. A small business that forgets its costs can look busy and still lose money, which is why every seller has to track both sides. Profit is what is left after the costs, and knowing it is what tells you whether a business is worth keeping.



Rule

Profit = revenue - costs.

If revenue is more than costs, you made a profit. If costs are more than revenue, you made a loss. If they are equal, you break even.

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Worked examples

EXAMPLE 1

Q A business has revenue of $500 and costs of $350. What is the profit?

SOLUTION

Add up all money taken in from sales: $500 revenue.

Add up all costs: $350.

Profit is revenue minus costs: $500 - $350 = $150

EXAMPLE 2

Q A business has revenue of $400 and costs of $470. Did it make a profit or a loss, and by how much?

SOLUTION

Find the revenue: $400.

Find the costs: $470.

Subtract costs from revenue: $400 - $470 = -$70. The result is negative, so it is a loss of $70

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Practice questions

1. A lemonade stand takes in $600 and spends $450 on lemons, sugar, and cups. What is the profit?

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2. Revenue $900, costs $700. What is the profit?

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3. A stall sells 80 cups at $3 each. What is the revenue?

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4 If those cups cost $180 to make, what is the profit?

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5 A craft stall takes in $500 but spends $560. What is the loss?

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6 A bake sale brings in $350 and costs $430. What is the result?

A. A $80 loss

B. A $80 profit

C. Break-even: no profit, no loss

D. A $50 loss

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7 A shop takes in $500 and spends $420. What is the result?

- **A** A $80 profit
- **B** A $80 loss
- **C** Break-even: no profit, no loss
- **D** A $50 profit

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8 A stall sells 100 cups at $2 each and spends $150 on supplies. What is the result?

- **A** A $50 profit
- **B** A $50 loss
- **C** Break-even: no profit, no loss
- **D** A $150 profit

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Revenue $1,200, costs $1,200. What is the result?

A A $1,200 profit

B Break-even: no profit, no loss

C A $1,200 loss

D A $600 profit

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To break even on $200 of costs at $4 a cup, how many cups must sell?

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ANSWER KEY

1. 150

2. 200

3. 240

4. 60

5. 60

6. A $80 loss

7. A $80 profit

8. A $50 profit

9. Break-even: no profit, no loss

10. 50 cups

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