

Who should be happier with this result?:

Person 1: made a \$1mm profit

\$50 bn

Person 2: made a \$50 profit

transient

\$ 1

~~1 000 000~~

60 000 000 000

.....

Who has the more impressive result?

Percentages are MUCH more powerful than raw whole numbers.

Why?

Comparison is key.

Today's learning objective:

By the end of class, I will be able to calculate profit margin and return on investment.

Today's language objective:

- *I will distinguish profit margin from ROI.
- *I will discuss profit margin and ROI calculations with my peers.

Return on Investment

Gain on investment
Cost of investment

$$\frac{\$998.40}{\$132.16} = 7.6x$$

Profit Margin

Profit (sales – costs = revenue – costs = profit)
Revenue (money earned from customers; sales)

Sales price is \$5

What is the profit margin?

$$\frac{\text{profit}}{\text{rev}} = \frac{1.50}{5} \quad 30\%$$

$$\$5 - 3.50 = 1.50$$

Table 1: Direct Materials

Material	Quantity per unit	Cost	Total per unit
potatoes	1.5 lbs	\$0.60	\$0.90
seasoning	0.1 ounces	0.05	0.005
packaging	1 bag	0.25	0.25
	1/12 box	0.54	0.045
Total cost			\$1.20

Table 2: Direct Labor

Job description	Hours per bag	Rate	Total cost
Potato washer & peeler	0.1	\$11.50	\$1.15
Slicer & Fryer	0.04	11.50	0.46
Packager	0.06	11.50	0.69
Total cost			\$2.30

Open the presentation on Economics website.

Please read for ~8 minutes.

Think about these questions while reading.

- 1) Who do you think wrote this presentation?
- 2) What was the purpose for creating it?
- 3) Who is the intended audience for this presentation?

Pick 3 of the structures on slides 16-39 and calculate the ROI.