

ASSESSMENT QUESTIONS

Chapter 7: Margins, Markups, and Markdowns

True or False

Identify whether the following statements are true or false and circle the correct answer.

- T F 1. To calculate margin, divide profit amount by retail selling price.
- T F 2. Due to the uncertainty of successful sales on all styles, a markdown/close-out percent is added to a cost sheet.
- T F 3. Margins and markups measure profits in similar ways.
- T F 4. Garment styles generally hit the sales rack one to two weeks after arriving on the selling floor or online.
- T F 5. It is unnecessary to recost returning styles.

Multiple Choice

Select the best response.

- 1. Which statement is false?
 - a. Markups are always higher than margins.
 - b. A 100 percent markup equals a 50percent margin.
 - c. Markup is the difference between cost and selling price.
 - d. Companies choose one definitive markup percent to add to every style.
 - e. All statements are true.
- 2. If you charge \$20/hat for your new line of hats and it costs you \$12 to produce each hat, what is your margin?
 - a. 4 percent

- b. 20 percent
- c. 40 percent
- d. 80 percent

3. What risk does a new company face with a consignment deal?

- a. Unsold merchandise may not be returned.
- b. Payment is not guaranteed.
- c. The profit margin must be decreased
- d. All statements are true.

4. A markdown percentage may be added to a cost sheet for what reason?

- a. To differ costs of expansion.
- b. To alleviate pressure from encroaching competition.
- c. Because the market is oversaturated with your product.
- d. Because items are left over after the initial selling period or season.

5. A brand has recently introduced a new line of colors for their secondary product

while still maintaining prices on their flagship product. What phase might

their flagship product be at the end of

- a. Introductory phase
- b. Growth phase
- c. Maturity phase
- d. Decline phase.

Key for Chapter 7 Assessment Questions

True-False

- 1. T**
- 2. T**
- 3. F**
- 4. F**
- 5. F**

Multiple Choice

- 1. e**
- 2. c**
- 3. b**
- 4. d**
- 5. c**