

Profit

4 marks

IGCSE Paper 1 2019

Profit Calculations Explained

$$\text{Profit} = \text{Total Revenue} - \text{Total Costs}$$

- 1 PLK is a social enterprise which offers training to young people who leave school with no qualifications. The young people are trained by PLK chefs to prepare food which is sold at local markets or sporting events. Choosing the right method of promotion is important. The manager of PLK thinks that to increase profit it is better to raise prices rather than use cheaper food ingredients.

Table 1: Cost and sales information for PLK

Number of meals sold per week	1000
Price per meal	\$3
Variable cost per meal	\$2
Fixed costs per week	\$300

(d) Calculate PLK's weekly profit. (4 marks)

Solution

$$\text{Revenue} = 1000 \text{ meals} \times \$3 = \$3000$$

$$\text{Variable Costs} = 1000 \text{ meals} \times \$2 = \$2000$$

$$\text{Fixed Costs} = \$300 \quad \text{Total costs} = \$2300$$

$$\text{Profit} = \text{Revenue} - \text{total costs} = \$3000 - \$2300 = \$700$$