

13-74

App-9/24/13

Senate Info-10/8/13

### Undergraduate Distance Education Review Form

(Required for all courses taught by distance education for more than one-third of teaching contact hours.)

#### Existing and Special Topics Course

Course: FSMR 280: Introduction to Apparel Buying

Instructor(s) of Record: Dr. Eun Jin Hwang

Phone: 724-357-2346 Email: eun.hwang@iup.edu

#### Step Two: Departmental/Dean Approval

Recommendation:  Positive (The objectives of this course can be met via distance education)

Negative

Fredalene B. Bowes 9/23/13  
Signature of Department Designee Date

Endorsed: [Signature] 9.23.13  
Signature of College Dean Date

Forward form and supporting materials to Liberal Studies Office for consideration by the University-wide Undergraduate Curriculum Committee. Dual-level courses also require review by the University-wide Graduate Committee for graduate-level section.

#### Step Three: University-wide Undergraduate Curriculum Committee Approval

Recommendation:  Positive (The objectives of this course can be met via distance education)

Negative

Gail Schriest 9/24/13  
Signature of Committee Co-Chair Date

Forward form and supporting materials to the Provost within 30 calendar days after received by committee.

#### Step Four: Provost Approval

Approved as distance education course

Rejected as distance education course

[Signature] 9/20/13  
Signature of Provost Date

Forward form and supporting materials to Associate Provost.

Received

SEP 24 2013

Liberal Studies

**A. Provide a brief narrative rationale for each of the items, A1- A5.**

**1. How is/are the instructor(s) qualified in the distance education delivery method as well as the discipline?**

**Dr. Hwang completed a facilitator training course which was offered by the Socrates Distance Learning Technologies Group, the faculty training organization of Education Management Corporation (EDMC) Online Higher Education during Spring 2006. She taught an online class during Fall 2004 in Korea and also she taught an online class during Winter 2008, 2009, 2010, 2011 & 2012, and Summer 2009, 2010, 2011, & 2012 at Indiana University of Pennsylvania. She incorporated WebCT and Moodle into several courses since Spring 2009. Students took exams and submitted papers on-line. Students could access the syllabus, class notes, and announcements on-line as well.**

**2. How will each objective in the course be met using distance education technologies?**

**The on-line course will consist of course materials, quizzes and assignments presented on-line through Learning Management System (LMS). Chat Room and Discussion Thread participation through the use of Learning Management System (LMS) will be part of the course requirements.**

**1. Demonstrate and understanding of the planning, buying and controlling procedures used in apparel merchandising.**

- The instructor will cover in Day 1, Day 2 (Module 1), Day 3, Day 4 (Module 2) and Day 5, Day 7, Day 8, Day 9, Day 10, Day 12 (Module 3) and completing Chapter One Discussion Question (p. 15), Chapter Two Summary Problems (pp. 39-41), Chapter Three Summary Problems (pp. 68-72), Chapter Four Summary Problems (pp. 96-98), Chapter Five Summary Problems (pp. 133-136), Chapter Six Summary Problems (pp. 163-166), and Chapter Nine Summary Problems (pp. 273-274) will help students to demonstrate an understanding of the planning, buying and controlling procedures used in apparel merchandising.**
- The instructor will upload PowerPoint files for students to download and study. She will be available at regular times to answer any questions students might have regarding the**

topic by e-mail or chat room. She will also use discussion threads to require students to participate in on-line discussions actively. Questions will be embedded in the notes as well as in daily postings by the instructor. The instructor will facilitate the discussions. Students will participate in chat room discussions within groups assigned to work on designated activities. The instructor will be available at regular times for contact via email or chat room.

**2. Explain the mathematical calculations essential to plan and control inventory to insure profitability.**

- The instructor will cover in Day 3, Day 4 (Module 2), Day 12 (Module 3), and Day 13, Day 14 (Module 4) and completing Chapter Two Summary Problems (pp. 39-41), Chapter Three Summary Problems (pp. 68-72), Chapter Seven Summary Problems (pp. 198-201), and Chapter Eight Summary Problems (pp. 243-249). This will help students to explain the mathematical calculations essential to plan and control inventory to insure profitability.
- The instructor will upload PowerPoint files for students to download and study. She will be available at regular times to answer any questions students might have regarding the topic by e-mail or chat room. She will also use discussion threads to require students to participate in on-line discussions actively. Questions will be embedded in the notes as well as in daily postings by the instructor. The instructor will facilitate the discussions. Students will participate in chat room discussions within groups assigned to work on designated activities. The instructor will be available at regular times for contact via email or chat room.

**3. Identify basic principles and techniques of real-world apparel merchandising mathematical applications.**

- The instructor will cover this in Day 1 (Module 1), Day 3, Day 4 (Module 2), Day 5, Day 6, Day 7, Day 8, Day 9, Day 10, Day 12 (Module 3) and Day 13, Day 14 (Module 4) and completing Chapter One Discussion Question (p. 15), Chapter Two Summary Problems (pp. 39-41), Chapter Three Summary Problems (pp. 68-72), Chapter Four Summary Problems (pp. 96-98), Chapter Five Summary Problems (pp. 133-136), Chapter Six Summary Problems (pp. 163-166), Chapter Seven Summary Problems (pp.

- 198-201), Chapter Eight Summary problems (pp. 243-249) and Chapter Nine Summary (pp. 273-274). This will help students to identify basic principles and techniques of real-world apparel merchandising mathematical applications.
- The instructor will upload PowerPoint files for students to download and study. She will be available at regular times to answer any questions students might have regarding the topic by e-mail or chat room. She will use discussion threads to require students to participate in on-line discussions actively. Questions will be embedded in the notes as well as in daily postings by the instructor. The instructor will facilitate the discussions. Students will participate in chat room discussions within assigned groups to work on designated activities. The instructor will be available at regular times for contact via email or chat room.
4. Develop a competency in applying mathematical formulas to solve financial merchandising problems.
- The instructor will cover this in Day 1, Day 2 (Module 1), Day 3, Day 4 (Module 2), and Day 5, Day 7, Day 8, Day 9, Day 10 (Module 3) and completing Chapter One Discussion Question (p. 15), Chapter Two Summary Problems (pp. 39-41), Chapter Three Summary Problems (pp. 68-72), Chapter Four Summary Problems (pp. 96-98), Chapter Five Summary Problems (pp. 133-136) and Chapter Six Summary Problems (pp. 163-166). This will help student to develop a competency in applying mathematical formulas to solve financial merchandising problems.
  - The instructor will upload PowerPoint file for students to download and study. She will be available at regular times to answer any questions students might have regarding the topic by e-mail or chat room. She will use discussion thread to require students to participate in on-line discussions actively. Questions will be embedded in the notes as well as in daily postings by the instructor. The instructor will facilitate the discussions. Students will participate in chat room discussions within groups assigned to work on designated activities. The instructor will be available at regular times for contact via email or chat room.
5. Assess a variety of apparel merchandising forms and report that are used to make financial decisions in the apparel retail industry.

- The instructor will cover this in Day 4 (Module 2), Day 5, Day 7, Day 12 (Module 3), and Day 13, Day 14 (Module 4) and completing Chapter Three Summary Problems (pp. 68-72), Chapter Four Summary Problems (pp. 96-98), Chapter Seven Summary Problems (pp. 198-201), Chapter Eight Summary problems (pp. 243-249) and Chapter Nine Summary (pp. 273-274).. This will help student to assess a variety of apparel merchandising forms and report that are used to make financial decisions in apparel retail industry.
- The instructor will upload PowerPoint file for students to download and study. She will be available at regular times to answer any questions students might have regarding the topic by e-mail or chat room. She will use discussion thread to require students to participate in on-line discussions actively. Questions will be embedded in the notes as well as in daily postings by the instructor. The instructor will facilitate the discussions. Students will participate in chat room discussions within groups assigned to work on designated activities. The instructor will be available at regular times for contact via email or chat room.

**3. How will instructor-student and student-student, if applicable, interaction take place?**

Students will be required to actively participate in on-line discussions. Questions will be embedded in the notes as well as in daily postings by the instructor. The instructor will facilitate the discussions. Students will participate in chat room discussions within groups assigned to work on designated activities. The instructor will be available at regular times for contact via telephone, email or chat room.

**4. How will student achievement be evaluated?**

Multiple assessment techniques will be implemented to evaluate student achievement including:

- Timed exams using Learning Management System (LMS) with password protection
- Daily assignments posted on Learning Management System (LMS)
- Individual summary problems – Students will turn their Summary problems to Instructor by I-Mail.
- Discussion contribution- this will be done by Discussion Thread

**5. How will academic honesty for tests and assignments be addressed?**

**The on-line quizzes will be designed in a manner such that items are randomly numbered so that no two exams are exactly identical. The exams will not be printable. Students will submit their paper through Turnitin.com. This program is used to prevent plagiarism. This method was implemented by the instructor for this course during the Fall 2012 semester**

- B. Submit to the department or its curriculum committee the responses to items A1-A5, the current official syllabus of record, along with the instructor developed online version of the syllabus, and the sample lesson. This lesson should clearly demonstrate how the distance education instructional format adequately assists students to meet a course objective(s) using online or distance technology. It should relate to one concrete topic area indicated on the syllabus.**

## Syllabus of Record

### Catalog Description:

FSMR 280: Introduction to Apparel Buying 3 class hours  
0 lab hours  
3 credits

Prerequisites: FSMR 180 with a grade of C or better,  
and Liberal Studies Math 101 or higher (3c-0l-3cr)

Focus on using mathematical concepts in merchandising applications used for apparel buying. Students will develop and determine assortment plans, cost of merchandise, profitability, and retail sale prices.

### Course Objectives:

Upon completion of this course the students will be able to:

1. Demonstrate an understanding of the planning, buying and controlling procedures used in apparel merchandising.
2. Explain the mathematical calculations essential to plan and control inventory to insure profitability.
3. Identify basic principles and techniques of real-world apparel merchandising mathematical applications.
4. Develop a competency in applying mathematical formulas to solve financial merchandising problems.
5. Assess a variety of apparel merchandising forms and reports that are used to make financial decisions in the apparel retail industry.

**This course is on D2L. Get lecture note outlines, assignments, and check grades.**

### Required Textbook:

The class notes presented in the PowerPoint presentations will come from this source in which you will have assigned readings. In addition, the presentations will contain information from outside sources which you are also responsible for in your learning and test taking processes.

Tepper, B. (2008). *Mathematics for retail buying*, (6<sup>th</sup> ed.). New York: Fairchild.

### **Class Lectures:**

The textbook, while useful, will not be the only source of information for the class. Periodically, additional readings will be assigned. Class lectures are intended to enrich or supplement the assigned readings. They are NOT intended to summarize or substitute for the readings. Exams will be designed to assess the student's knowledge of ALL reading materials and the material presented in class lecture, as well as any oral reports and guest speaker presentations.

### **COURSE GENERAL POLICIES:**

#### **A. Attendance:**

Attendance in class is very important. The students are required to stay the entire duration of the class period to get credit for the same. Any student, who leaves before the class period without the consent of the instructor, will be marked absent and will not get any credit for that class period. An attendance sheet should be circulated and signed by everyone. It is a student's responsibility to sign the attendance sheet every class period of time.

Class attendance and participation are required. Excessive absences will result in grade point reductions. Please make sure to sign the attendance sheet by your name each class period. This is students' responsibilities to sign the attendance sheet. The student is responsible for all material covered in class regardless of the reason for the absence. It is not the instructor's responsibility to provide that information. However, reports must be presented in person in class on date indicated.

#### ***a. Excused Absence Policy***

If you have an unavoidable "excused" absence such as family crisis, death, or personal illness, you must provide me with some type of documentation of the event such as an obituary, funeral card, or doctor's excuse form. If such an event does occur, please email me to alert me of the absence. After the absence, it is your responsibility to arrange a time with me to find out what material you have missed.

If you know of an absence ahead of time such as a job interview or school-sponsored trip, it is your responsibility for finding out the material that you will be missing ahead of time. Again, it is your responsibility for finding out the material that you will be missing ahead of time. Again, it is your responsibility to arrange a time with me to find out what material you will be missing.

#### ***b. Un-Excused Absence Policy***



If you miss class due to any other reason than stated above, you are responsible in finding out what material you missed. You may come speak to me during my office hours in this regard.

### **Assignments Requirements:**

The due dates for all assignments are included in the syllabus, but may be subject to change. During the semester, the instructor will keep students informed of any changes. It is the student's responsibility to contact someone in the class if he or she misses class near a scheduled due date. Assignments are due in class AT THE BEGINNING OF the class in which the specified due date. Instructor CANNOT ACCEPT LATE PAPERS and CANNOT ACCEPT E-MAIL SUBMISSION OF PAPERS FOR ANY REASON. Having your work completed on schedule is a key to early success in your business career. I would suggest that you start now to develop good work habits for meeting deadlines. Partial credit will NOT be given for late work.

**Late assignments WILL NOT BT ACCEPTED!** The only exception to this rule is if you have documentation of an excused absence (i.e., doctor's note, obituary, or funeral card). In either event, written documentation is required before an assignment is accepted. If you have an excused absence the date an assignment is due, your assignment will be expected during the next class period after you return. Only under special circumstances will this policy be modified! If you have prior knowledge of an absence, it is expected that your project be turned in PRIOR to your absence.

Quizzes and in class assignments will be given at random. If you arrive late, you will not be allowed to take the quiz. In Class assignments will not be made up.

**In-Class Assignments.** There are NO MAKE-UPS FOR IN-CLASS ASSIGNMENTS! Some content will be assigned during the previous class period to be completed outside of class and brought to the next class for in-class utilization. If this content is not completed as assigned no credit will be given for that day's in-class assignment.

**NOTE: ALL WORK IS DUE ON THE DAY GIVEN OR WILL BE CONSIDERED LATE AND THE GRADE WILL BE LOWERED IN PROPORTION TO LATENESS.**

### **Exams:**

There will be four (4) exams consisting of a combination of True/False, Multiple Choice, Matching, and potential Completion/Short Answer Essay. Dates for the three exams are listed on the syllabus. Final exam is NOT cumulative. Dates are given in the "Tentative Schedule". If an emergency arises and a student is unable to take an exam notification of the instructor must be made prior to the exam. If the instructor is NOT NOTIFIED BEFORE THE EXAM there will be NO makeup exam.

### **Grading:**

Grades will be posted on the D2L (use "Grades"). The instructor will make every effort to keep

accurate records. However, it is also the student’s responsibility to monitor their grade reports and keep all materials related to the course. Grade related claims should be in writing (e-mail acceptable). Your total grade is based on the exams, assignments, presentations, and attendance/participation as follows:

Four Exams (Exam #1, Exam #2, Exam #3 & Final Exam).....	40%
Assignments.....	35%
In-class Assignment .....	20%
Attendances.....	5%
<b>TOTAL PERCENT.....</b>	<b>100%</b>

**Grading System:**

Below is the grading scale that will be used to determine the final letter grade:

A = 90 – 100%	B = 80 – 89%	C = 70 – 79%
D = 60 – 69%	F = 59% and below	

**Classroom Etiquette:**

To create and maintain a positive learning environment, proper classroom etiquette/decorum is vital. It is expected that students conduct themselves in a mature, professional manner. Essentially you are training program for a future career in fashion, and behavior including talking out of turn, inappropriate comments, and other disruptive behavior will not be tolerated.

The following guidelines will help us to achieve this goal:

1. Refrain from chatting with your neighbor(s) during class.
  - Non-relevant chatting with classmates during class (lectures, guest speakers, presentations, videos, slides, etc) disrupts the normal learning environment
  - Should you engage in this behavior the instructor could and may ask you to leave the room
2. Reading writing and studying of material other than for this class is not acceptable.
  - This includes reading newspapers (*Penn*), magazines, course materials, writing letters, and studying for exams.

3. Completing assignments that are the day of class.

- The instructor has the right to NOT accept the assignment.

4. Make every effort to get to class on time and stay until class is dismissed.

- If you have to leave early or are going to be late, inform the instructor in advance.
- If you are late, respect those who arrived on time by not disrupting the class, especially those around you. Quietly come in, sit down, and do not converse with your neighbor to “catch up”
- Coming and going during class disrupts the learning environment. Take care of “necessities” prior to coming to class (i.e. go to the restroom, get a drink of water, go to the vending machines, converse with friends, etc.).

5. Obtaining class content and assignments if absent is your responsibility.

- Ask another student about what content was covered and assignments given. It is not the instructor’s responsibility to re-present class material that was missed.
- It is inappropriate to ask the instructor, prior to or after a missed class, whether the content covered that day is/was important – all class content is important!

6. Sleeping during class is not acceptable.

- This behavior is disrespectful to anyone presenting information during class (i.e. instructor, guest speaker, peers).
- Also remember that this behavior is not appropriate during the use of audio/visuals (i.e. slides, videos)
- If a student engages in this behavior the instructor could and may ask the student to leave the room.

7. Respect others.

- Be polite in your speech and manners – no profanity or lewd language.
- Be patient with other students when they are asking a question, even when the answer may be obvious.
- Be respectful of the opinions of others even if they differ from your own.
- Be courteous by not interrupting others, not having more than one speaker at a time, and not engaging in side discussions.
- Turn off all electronic equipment (cell phones, CD players, MP3, etc.) prior to entering the classroom. These are to remain off until class is dismissed.

**PLEASE MAKE SURE YOUR CELL PHONE IS TURNED OFF DURING CLASS TIME!**

- 1<sup>st</sup> Offense: If a student’s cell phone rings or buzzes during class, the student will forfeit any

future opportunity of extra credit but can keep the extra credit currently earned.

- 2<sup>nd</sup> Offense: The student's previously earned extra credit will be taken away.
- 3<sup>rd</sup> and Any Further Offenses: The student will be asked to take their belongings and leave the class.

8. Read and follow *the Academy Integrity Policy and Procedures* that appears in the IUP Undergraduate Catalog.

- Do your own work
- Any form of academic dishonesty can cause a lack of respect and trust, and can be extremely detrimental to your college career.
- Hats/caps and sunglasses will not be worn during exams

9. Respect and maintain the appearance of the classroom.

- Discard all trash; someone else does not want to sit in your mess!

#### **Participation:**

1. Participation includes ALL in-class activities and supplementary assignments. If you are not in class, you will not receive credit for the activity.
2. Students are expected to be in class on time. Recurrent tardiness will negatively affect a student's participation grade.
3. Each student's initial participation grade will be calculated based on the percentage of classes attended. Participation in class discussion, class activities and tardiness will either positively or negatively affect the final participation grade.

- Practice being professional at all times. Any presentations require professional dress.
- Be prepared for each class period. Read chapters and come ready to participate in classroom discussion.
- This syllabus is subject to change without advance notice. The instructor reserves the right to change or add assignments with prior notice.
- If you are having difficulty in this class, it is your responsibility to bring this to my attention.

FSMR 280 – Introduction to Apparel Buying

Fall, 2013

Tentative Class Schedule  
 Schedule is tentative and subject to change

WEEK	DATE	TOPICS	TEXT	ASSIGNMENTS
1.	Aug. 27	Introduction Class		Read Syllabus
	Aug. 29	Basic Math Concept		Assignment #1
2.	Sept. 3	Merchandising for a Profit	Unit I (pp. 1-52)	
	Sept. 5			Assignment #2
3.	Sept. 10			
	Sept. 12		Assignment #3	
4.	Sept. 17	The Retail Method of Inventory of Merchandise	Unit IV (pp. 152 – 202)	
	Sept. 19	EXAM I – Unit I		
5.	Sept. 24	The Retail Method of Inventory of Merchandise	Unit IV (pp. 152 – 202)	Assignment #4
	Sept. 26			
6.	Oct. 1	The Relationship of Markup to Profit	Unit III (pp. 110 – 151)	
	Oct. 3			
7.	Oct. 8			
	Oct. 10		Assignment #5	
8.	Oct. 15	Review for the Exam II		
	Oct. 17	EXAM II – Unit IV & III		
9.	Oct. 22	Retail Pricing and Repricing	Unit II (pp. 53-109)	
	Oct. 24			Assignment #6
10.	Oct. 29	Dollar Planning and Control – Open to Buy	Unit V (pp. 203 – 277)	
	Oct. 31			
11.	Nov. 5	Invoice Mathematic: Terms of Sale	Unit VI (pp. 278-318)	Assignment #7
	Nov. 7			
12.	Nov. 12			
	Nov. 14			Assignment #8
13.	Nov. 19	Review for the Exam III		
	Nov. 21	EXAM III – Unit II & V		
	Nov. 25- Nov. 29	Thanksgiving Break		

<b>WEEK</b>	<b>DATE</b>	<b>TOPICS</b>	<b>TEXT</b>	<b>ASSIGNMENTS</b>
14.	Dec. 3	Invoice Mathematic: Terms of Sale	Unit VI (pp. 278-318)	
	Dec. 5			Assignment #9
	Dec. 10	Section II: 10:15am – 12:15pm		
	Dec. 12	Section I: 8:00am – 10:00am		

## FSMR 280 – Introduction to Apparel Buying

Winter, 2013  
Online Syllabus

Instructor	Dr. Eun Jin Hwang	E-mail	eun.hwang@iup.edu
Class Room	Learning Management System (LMS)	Class Meets	December 19, 2013 – January 10, 2014
Office	209 Ackerman Hall	Phone Number	724-357-2346

### Catalog Description:

**Prerequisite:** FSMR 180 with a grade of C or better, and Liberal Studies Math 101 or higher

**3 Credits, 3 Lecture Hours, 0 Lab Hours**

Focus on using mathematical concepts in merchandising applications used for apparel buying. Students will develop and determine assortment plans, cost of merchandise, profitability, and retail sale prices.

### Course Objectives

Upon completion of this course the students will be able to:

1. Demonstrate an understanding of the planning, buying and controlling procedures used in apparel merchandising.
2. Explain the mathematical calculations essential to plan and control inventory to insure profitability.
3. Identify basic principles and techniques of real-world apparel merchandising mathematical applications.
4. Develop a competency in applying mathematical formulas to solve financial merchandising problems.
5. Assess a variety of apparel merchandising forms and reports that are used to make financial decisions in the apparel retail industry.

This course is on Learning Management System (LMS)-D2L. Get lecture note outlines, assignments, and check grades.

**Required textbooks, supplemental books and readings:**

Eastering, C., Wuest, B., Flottman, E., & Jernigan, M. (2013). *Merchandising mathematics for retailing* (5<sup>th</sup> ed.). Upper Saddle River, NJ: Pearson Prentice Hall.

**Course General Policies:**

**A. Assignments Requirements:**

The due dates for all assignments are included in the syllabus but may be subject to change. During the semester (winter session), the instructor will keep students informed of any changes. This course contains several assignments. To complete the assignment, click on the particular Discussion or Assignment link that accompanies the given day's lecture before reading the materials that day so that you will know what you are going to have to complete by the due date. Assignments are due on specified due date. Instructor WILL NOT ACCEPT ANY LATE ASSIGNMENTS. Having your work complete on schedule is a key to early success in your business career. Try to keep up with assignments. This is a fast-paced learning environment. Falling behind can be very stressful and discouraging which will impact your ability to learn and enjoy the course. I would suggest that you start now to develop good work habits for meeting deadlines. Partial credit will NOT be given for late work. You NEED TO SHOW ALL WORKS WHEN YOU SOLVE PROBLEMS. You cannot just write answer only.

**Late assignments WILL NOT BE ACCEPTED!!!**

**Course Requirements & Evaluation**

- a. Attendance 45 points  
(15 days X 3 points/day-Individual student require to reply instructor's e-mail everyday for attendance points)
  
- b. Summary Problems 551 points
  - A. Chapter One Discussion Questions (p. 15) – 48 points
  - B. Chapter Two Summary Problems (pp. 39-41) – 84 points
  - C. Chapter Three Summary Problems (pp. 68-72) – 98 points



D. Chapter Four Summary Problems (pp. 96-98) – 44 points	
E. Chapter Five Summary Problems (pp. 133-136) – 76 points	
F. Chapter Six Summary Problems (pp. 163-166) – 60 points	
G. Chapter Eight Summary Problems (pp. 243-249) – 49 points	
H. Chapter Nine Summary Problems (pp. 273-274) – 42 points	
I. Chapter Seven Summary Problems (pp. 198-201) – 50 points	
c. Three Exams	300 points
A. Exam #1 – 100 points	
B. Exam #2 – 100 points	
C. Exam #3 – 100 points	
<b>TOTAL Possible Points</b>	<b>896 points</b>

**Grading System:**

Below is the grading scale that will be used to determine the final letter grade:

A = 802 – 896	B = 712 – 801	C = 623– 711
D = 533 – 622	F = 532 and below	

**Class Lectures:**

The textbook, while useful, will not be the only source of information for the class. Periodically, additional readings will be assigned. Class materials are intended to enrich or supplement the assigned readings. It is important that you read these carefully so that you don't overlook essential content. They are NOT intended to summarize or substitute for the readings. Exam will be designed to assess the student's knowledge of ALL reading materials and the material presented in Learning Management System (LMS).

**Links/Web Site:**

Some of the material in this course will require you to explore Web sites. Bring to the course issues that you find most interesting and compelling.

**Discussion:**

Due to the highly interactive nature of this course, you will frequently find yourself in the “Discussion Area.” Participation in discussion is required during the entire course. Each student’s initial participation grade will be calculated based on the number of participations in discussion.

**Written Assignments:**

- There will be written assignments throughout the Winter Session.
- All papers and assignments must follow the APA guidelines in the Publication Manual of the American Psychological Association (6<sup>th</sup> Ed.). Not following the APA guidelines will result in grade points reduction.
- All papers must be typed (1.5 spaced) and properly identified – Student Name, Class and Project Title – points will be deducted for papers not meeting these requirements.
- Late assignments will NOT be accepted.
- All research and abstracts must be properly documented. Plagiarism will not be tolerated. Academic dishonesty in any forms is unacceptable.

**Summary Problems and Exam:**

- In order to receive full points you must complete and clearly show your work with a correct answer(s).

Be prepared for each class. Read chapters and be ready to participate in discussion threads.

This syllabus is subject to change with advance notice.

If you are having difficulty in this class, it is your responsibility to bring this to my attention.

Winter, 2013

Tentative Class Schedule

Schedule is tentative and subject to change

	<b>Date</b>	<b>TOPIC &amp; TEXT</b>	<b>HOMEWORK ASSIGNMENTS</b>	<b>COURSE OBJECTIVES</b>
<b>MODULE 1: FACTS AND FUNDAMENTALS ABOUT THE TOOLS OF THE TRADE</b>				
1.	Dec. 19	<p>Introduction Class Introduce Homework Assignments</p> <p>Chapter One: Introduction (pp. 3-15)</p>	<ol style="list-style-type: none"> <li>1. Check your I-Mail.</li> <li>2. Reply to instructor's I-Mail for attendance.</li> <li>3. Open Dec. 19th folder, read, and study them.</li> <li>4. Read Chapter Two.</li> <li>5. Complete "Chapter One - Discussion Questions (p. 15)" send to Instructor (I-Mail) by Dec. 20<sup>th</sup>. 11:00pm.</li> </ol>	<b>#1, #3, and #4</b>
2.	Dec. 20	<p>Chapter Two: Basic Merchandising Mathematics (pp. 17 – 41)</p>	<ol style="list-style-type: none"> <li>1. Check your I-Mail.</li> <li>2. Reply to instructor's I-Mail for attendance.</li> <li>3. Open December 20<sup>th</sup> folder, read, and study them.</li> <li>4. Reade Chapter Three.</li> <li>5. Send Chapter One "Discussion Questions" to Instructor (I-Mail) by 11:00pm today.</li> <li>6. Complete "Chapter Two- Summary problems (pp. 39-41)" send to Instructor (I-Mail) by Dec. 23, 11:00pm.</li> </ol>	<b>#1and #4</b>

Day	Date	TOPIC & TEXT	HOMEWORK ASSIGNMENTS	COURSE OBJECTIVES
<b>MODULE 2: PURCHASING AND PRICING</b>				
3.	Dec. 23	Chapter Three: Profitability (pp. 43 – 77)	<ol style="list-style-type: none"> <li>1. Check your I-Mail.</li> <li>2. Reply to instructor's I-Mail for attendance.</li> <li>3. Open Dec. 23<sup>rd</sup> folder, read and study them.</li> <li>4. Send "Chapter Two-Summary Problems" to Instructor (I-Mail) by 11:00pm today.</li> </ol>	<b>#1, #2, #3, and #4</b>
4.	Dec. 24		<ol style="list-style-type: none"> <li>1. Check your I-Mail.</li> <li>2. Reply to instructor's I-Mail for attendance.</li> <li>3. Read Chapter Four.</li> <li>4. Send "Chapter Three-Summary Problems" to Instructor (I-Mail) by 11:00pm today.</li> <li>5. Complete "Chapter Three - Summary problems (pp. 68-72)" send to Instructor (I-Mail) by Dec. 26, 11:00pm.</li> </ol>	<b>#1, #2, #3, #4, and #5</b>
<b>MODULE 3: BALANCE BRINGS PROFITS</b>				
5.	Dec. 26	Chapter Four: Cost of Merchandise Sold (pp 79-101 )	<ol style="list-style-type: none"> <li>1. Check your I-Mail.</li> <li>2. Reply to instructor's I-Mail for attendance.</li> <li>3. Open December 26<sup>th</sup> folder, read, and study them.</li> <li>4. Send "Chapter Three-Summary Problems" to Instructor (I-Mail) by 11:00pm today.</li> <li>5. Study for the EXAM #1.</li> </ol>	<b>#1, #3, #4, and #5</b>
6.	Dec. 27	<b>EXAM #1: Chapter 1, 2, &amp; 3</b>	<ol style="list-style-type: none"> <li>1. Check your I-Mail.</li> <li>2. Reply to instructor's I-Mail for attendance.</li> <li>3. Click Exam Icon to take exam</li> </ol>	<b>#1, #2, #3, #4, and #5</b>

	Date	TOPIC & TEXT	HOMEWORK ASSIGNMENTS	COURSE OBJECTIVES
<b>MODULE 3: BALANCE BRINGS PROFITS</b>				
7.	Dec. 27	Chapter Four: Cost of Merchandise Sold (pp. 79-101 )	<ol style="list-style-type: none"> <li>1. Check your I-Mail.</li> <li>2. Reply to instructor's I-Mail for attendance.</li> <li>3. Reade Chapter Five.</li> <li>4. Complete "Chapter Four-Summary problems (pp. 96-98)" send to Instructor (I-Mail) by Dec. 31, 11:00pm.</li> </ol>	#1, #3, #4 and #5
8.	Dec. 31	Chapter Five: Markup as a Merchandising Tool (pp. 103-139)	<ol style="list-style-type: none"> <li>1. Check your I-Mail.</li> <li>2. Reply to instructor's I-Mail for attendance.</li> <li>3. Open December 31<sup>st</sup> folder, read, and study them.</li> <li>4. Send "Chapter Four-Summary Problems" to Instructor (I-Mail) by 11:00pm today.</li> </ol>	#1, #3, and #4
9.	Jan. 2		<ol style="list-style-type: none"> <li>1. Check your I-Mail.</li> <li>2. Reply to instructor's I-Mail for attendance.</li> <li>3. Read Chapter Six.</li> <li>4. Complete "Chapter Five-Summary problems (pp. 133-136)" send to Instructor (I-Mail) by Jan. 3. 11:00pm.</li> </ol>	

Day	Date	TOPIC & TEXT	HOMEWORK ASSIGNMENTS	COURSE OBJECTIVES
<b>MODULE 3: BALANCE BRINGS PROFITS</b>				
10.	Jan. 3	Chapter Six: Retail Pricing for Profit (pp. 141-171)	<ol style="list-style-type: none"> <li>1. Check your I-Mail.</li> <li>2. Reply to instructor's I-Mail for attendance.</li> <li>3. Open Jan. 3<sup>rd</sup> folder, read, and study them.</li> <li>5. Read Chapter Nine.</li> <li>4. Send "Chapter Five-Summary Problems" to Instructor (I-Mail) by 11:00pm today.</li> <li>5. Study for EXAM #2.</li> <li>6. Complete "Chapter Six-Summary problems (pp. 163-166)" send to Instructor (I-Mail) by Jan. 7, 11:00pm.</li> </ol>	#1 and #4
11.	Jan. 6	EXAM #2: Chapter 4, 5 and 6	<ol style="list-style-type: none"> <li>1. Check your I-Mail.</li> <li>2. Reply to instructor's I-Mail for attendance.</li> <li>3. Click Exam Icon to take exam.</li> </ol>	#1, #3, #4 and #5
12.	Jan. 7	Chapter Nine: Open-to-Buy and Assortment Planning (pp. 255-280)	<ol style="list-style-type: none"> <li>1. Check your I-Mail.</li> <li>2. Reply to instructor's I-Mail for attendance.</li> <li>3. Open Jan. 7<sup>th</sup> folder, read, and study them.</li> <li>4. Read Chapter Ten.</li> <li>5. Send "Chapter Six-Summary Problems" to Instructor (I-Mail) by 11:00pm today.</li> <li>6. Complete "Chapter Nine-Summary problems (pp. 273-274)" send to Instructor (I-Mail) by Jan. 8, 11:00pm.</li> </ol>	#1, #2, #3, and #5

Day	Date	TOPIC & TEXT	HOMEWORK ASSIGNMENTS	COURSE OBJECTIVES
<b>MODULE 4: THE PLANNING PROCESS</b>				
13.	Jan. 8	Chapter Eight: The Dollar Merchandise Plan (pp. 207 – 253)	<ol style="list-style-type: none"> <li>1. Check your I-Mail</li> <li>2. Reply to instructor's I-Mail for attendance.</li> <li>3. Open Jan. 8<sup>th</sup> folder, read, and study them.</li> <li>4. Send "Chapter Nine-Summary Problems" to Instructor (I-Mail) by 11:00pm today.</li> <li>5. Complete "Chapter Eight-Summary problems (pp. 243-249)" send to Instructor (I-Mail) by Jan.7. 11:00pm.</li> </ol>	#1, #2, #3, and #5
14.	Jan. 9	Chapter Seven: Inventory Valuation (pp. 173 – 205)	<ol style="list-style-type: none"> <li>1. Check your I-Mail</li> <li>2. Reply to instructor's I-Mail for attendance.</li> <li>3. Open Jan. 9<sup>th</sup> folder, read, and study them.</li> <li>4. Send "Chapter Eight-Summary Problems" to Instructor (I-Mail) by 11:00pm today.</li> <li>5. Complete "Chapter Seven-Summary problems (pp. 198-201)" send to Instructor (I-Mail) by Jan.10. 11:00pm.</li> <li>6. Study for Final Exam.</li> </ol>	#1, #2, #3, and #5
15.	Jan. 10	Final Exam: Chapter 7, 8 and 9	<ol style="list-style-type: none"> <li>1. Check your I-Mail</li> <li>2. Reply to instructor's I-Mail for attendance.</li> <li>3. Click Exam Icon to take exam.</li> <li>4. Send "Chapter Seven-Summary Problems" to Instructor (I-Mail) by 11:00pm today.</li> </ol>	#1, #2, #3, and #5

## **FSMR 280 – Introduction to Apparel Buying**

### **Lecture Plan**

**Day 3 – December 26**

**Lecturer: Dr. Eun Jin Hwang**

### **Lecture 3: Cost of Merchandise Sold (Module 2)**

#### **A. Issues Covered in the Lecture**

##### **I. Cost of Negotiations**

##### **II. Discounts**

- A. Quantity Discounts**
- B. Trade Discounts**
- C. Seasonal Discounts**
- D. Cash Discounts**

##### **III. Dating**

- A. Cash on Delivery (COD)**
- B. Regular (Ordinary or Normal) Dating**
- C. Receipt of Goods (ROG)**
- D. End-of-Month (EOM)**
- E. Extra Dating (X-Dating)**
- F. Advanced Dating (as of)**



**IV. Anticipation**

**V. Allowances**

**VI. Transportation Costs**

**VII. Factors**

**VIII. Negotiation Services**

**IX. Case Study**

**A. Communicating Payment Terms with New Accounts**

**B. Required Reading for Lecture 3**

**Eastering, C., Wuest, B., Flottman, E., & Jernigan, M. (2013). *Merchandising mathematics for retailing* (5<sup>th</sup> ed.). Upper Saddle River, NJ: Pearson Prentice Hall.**

- Chapter Four: Cost of Merchandise Sold (pp. 79-101)**

**C. Discussion Questions**

- 1) After you read Case 4.1 would it be beneficial for Chase to seek financial help from a factor so that he can take advantage of the discount date?**
- 2) Using your answers from question number 1, if you were in Chase's situation, which vendor would you choose and why?**
- 3) Could Chase negotiate services that would help in reducing the cost of the lamps? If yes, what services?**

## CASE STUDY

### FINDING A NEW VENDOR WITH DISCOUNT TERMS

Eun Jin Hwang

Indiana University of Pennsylvania

Elizabeth Oaks, owner of a home décor boutique, is having trouble with her lamp vendor, Green Lighting. Merchandise is consistently delivered several weeks late and often with the wrong labels. Several lamps have been returned by customers for being defective. Recently, Elizabeth found that the same merchandise she had ordered from Green Lighting is being sold in the gray market. While the gray market is legal, the merchandise is often sold at a price much lower than the boutique's retail price. Elizabeth recently terminated her contract with Green Lighting and now, she needs to find a new lighting vendor who she can trust and also provide good discounts and terms.

Elizabeth hires a new assistant buyer, Chase Seo, for her lighting accessories department and assigns him to find a vendor. Chase visited the Dallas Total Home Market to shop for a new lamp vendor. After talking with other buyers and meeting with several lighting representatives, Chase was able to narrow the search to three different vendors. All three vendors have been reported to have good reputations, lead times, factory capacity, and product quality. Each vendor provides different discount terms and offers. In order for Elizabeth and Chase to decide which vendor they should select, they need to compare the discount terms and shipping terms that have been offered.

California Lighting offers trade discounts of 5%, 15%, 10% with 2/10, n/30, FOB Factory. New York Lighting offers trade discounts of 10%, 5%, with 8/10 EOM, FOB Factory, and also offers a quantity discount of 5% when a buyer orders more than 75 total units. Pennsylvania Lighting offers a \$500 rebate to retailers for purchases above \$5,000 with 6/10, n/30, FOB Factory. Before an agreement is made and a contract is signed, Chase needs to determine the cost of the lamps from each vendor.

#### Discussion Questions for the Case Study

1. Chase decides to order the following items:

Items	Quantity	Cost
Desk Lamps	20	\$46.00 each
Table Lamps	25	\$68.00 each
Floor Lamps	30	\$89.00 each

How much should be remitted to each vendor, if Chase pays for the merchandise before the discount deadline dates expire?

- California Lighting
- New York Lighting
- Pennsylvania Lighting

2. How much should be remitted to each vendor, if Chase pays for the merchandise after the discount date and therefore does not take advantage of the discount date? Would it be beneficial for Chase to seek financial help from a factor so that he can take advantage of the discount date?
  - a. California Lighting
  - b. New York Lighting
  - c. Pennsylvania Lighting
  
3. Using your answers from question number 1, if you were in Chase's situation, which vendor would you choose and why?
  
4. Could Chase negotiate services that would help in reducing the cost of the lamps? If yes, what services?

# Appendix A

## Sample of PowerPoint

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## Notes

## COST OF MERCHANDISE SOLD CHAPTER FOUR

FMSR 280

### Cost Negotiations

- Negotiating the purchase of merchandise is an important part of the buying process.
- Negotiations include:
  - Quoted wholesale cost
  - Terms of sale
  - Transportation arrangements
  - Services
  - Contract stipulations

### Cost Negotiations

- Quoted Wholesale Price
  - Cost as told by wholesaler, vendor, or other supplier
  - Rarely the final amount paid
- Invoice
  - The bill that is associated with a shipment of merchandise
  - Documents the final costs

### Discounts

- Are a reduction in price allowed by the vendor
- Are negotiable
- Are in several forms
  - Quantity
  - Trade
  - Seasonal
  - Cash

### Example 4 - 1

6

- A carpet supplier's discount schedule allows a 0.5% discount on orders for 600 to 1,000 square yards, a 1% discount on orders for 1,001 to 2,000 square yards, and 2% discount on orders for more than 2,000 square yards. A flooring store ordered 759 square yards of carpeting costing \$16.90 per square yard. After the discount was deducted, how much was remitted?

$$759 \times \$16.90 = \$12,827.10 = \text{billed cost}$$

$$\text{Less } 0.5\% \text{ discount} = \$12,827.10 \times 0.995 =$$

$$\$12,762.96 = \text{net cost}$$

### Trade Discounts

7

- Functional discounts depend on "function" of purchaser
- May be a *single* or *series* of percent discounts
- *List price - trade discount = net price*
- Three ways of calculating
  - *Direct* method
  - *Complement* method
  - *On-percent* method

### Example 4 - 3

8

#### □ *Direct Method*

- \$200.00 with 40% and 15% discount

1.  $\$200.00 \times 40\% = \$80.00$

2.  $\$200.00 - \$80.00 = \$120.00$

3.  $\$120.00 \times 15\% = \$18.00$

4.  $\$120.00 - \$18.00 = \$102.00$

### Example 4 - 3

9

#### □ *Complement Method*

- \$200.00 with 40% and 15% discount

1.  $100\% - 40\% = 60\%$

2.  $\$200.00 \times 60\% = \$120.00$

3.  $100\% - 15\% = 85\%$

4.  $\$120.00 \times 85\% = \$102.00$

### Example 4 - 3

#### □ **On-Percent Method**

□ \$200.00 with 40% and 15% discount

1.  $100\% - 40\% = 60\%$ ;  $100\% - 15\% = 85\%$
2.  $60\% \times 85\% = 51\%$
3.  $\$200.00 \times 51\% = \$102.00$

### Seasonal Discounts

- For ordering or accepting merchandise out of season
- *Encourages* retailers to place orders for merchandise *ahead of usual buying season*
- Retailers must have storage space and available money to take advantage of seasonal discounts

### Cash Discounts

- Percent reduction from quoted cost for prompt payment
- ***Deducted after all other types of discounts have been deducted***
- Taken on the billed cost

### Cash Discounts

- Retail firms should plan *cash flows to take advantage of cash discounts*
- Buyer *cannot know* for certain that cash discounts will be taken; accounts payable has responsibility of paying invoices

### Example 4 - 6

- The coat buyer ordered 18 raincoats that cost \$39.00 each. An 8% cash discount is deducted. What amount is paid to the vendor?

$$18 \times 39 = \$702$$

$$\$702 - (\$702 \times 8\%) = \$702 - \$56.16$$

$$\text{Net cost} = \$645.84$$

### Dating

- Refers to time retailer has to pay the invoice and the time which the cash discount can be taken.
- Includes key dates:
  - Invoice date
  - Receipt date
  - Discount date
  - Net payment date

### Dating

- Several types:
  - Cash on delivery
  - Regular dating
  - Receipt of goods
  - End-of-month
  - Extra dating
  - Advanced dating

### Cash on Delivery

- *COD*
- *No credit is granted*
- *Must purchase merchandise on the basis of cash on delivery*
- Offered to companies with poor or no credit history



## Regular Dating

- Ordinary or normal dating
- Calculated from date of invoice
- Written on invoice as 3/10, n/30
  - Buyer will get a 3% discount if paid within 10 days of the date of the invoice
  - Buyer must pay entire bill within 30 days of the invoice

## Example - 4 - 7

- Calculate discount and net payment dates for an invoice dated October 15 with terms 2/10, n/30.
- Solution:
  - The last day on which the cash discount can be taken is October 25
  - If not paid by October 25 the full amount is due within 30 days, or on November 14

## Example - Regular Dating

- \$100.00 2/10, n/30 invoice date 10/15
  - \$100.00 X .98 = \$98.00
    - if paid by October 16<sup>th</sup>
  - \$100.00 to be paid
    - no later than November 14<sup>th</sup>

## Receipt of Goods (ROG)

- Calculated from the date the *merchandise* is *received by the retailer*
- May be used by a retailer that is a *far distance* from the vendor's shipping point
- Written on invoice as 2/10 *ROG*
  - Bill must be paid within 10 days of the delivery date (receipt) of goods to receive the cash discount

### Example - Receipt of Goods

- \$100.00 2/10 ROG invoice date 3/5 receipt of goods date 3/12
- $\$100.00 \times .98 = \$98.00$  if paid by March 22<sup>nd</sup>, 10 days from the receipt of goods

### End-of-Month (EOM)

- Calculated from the *end of the month* instead of invoice date
- Written on invoice as 2/10 EOM
  - Bill must be paid within 10 days of the *last day of the month on the invoice to receive the cash discount*
  - 26<sup>th</sup> or later is considered next month

### Example - End-of-Month

- \$100.00 2/10 EOM invoice date 10/10
- $\$100.00 \times .98 = \$98.00$  if paid by November 10<sup>th</sup>,
- 10 days from the end of the month

### Extra Dating

- X-Dating
- Extends credit for an *additional period*
- Written on invoice as 2/10-30X
  - An additional 30 days is granted to the 10 day discount period giving the buyer a 40 day discount period

### Example - Extra Dating

- \$100.00 3/10-60X invoice date 5/11
- \$100.00 X .97 = \$97.00 if paid by July 20<sup>th</sup>,
- 60 days from the invoice date

### Advance Dating

- Receive discount "*as of month and date*"
- Calculated from some *specified future date*
- Written on invoice as 2/10 as of September 1
  - Bill must be paid *within 10 days* of the specified date to receive the cash discount

### Example - Advanced Dating

- \$100.00 3/10 as of September 1 invoice date 6/12
- \$100.00 X .98 = \$98.00 if paid by September 11<sup>th</sup>,
- 10 days from the specified date

### Anticipation

- An additional discount based on *the number of days remaining between the date of payment and the end of the cash discount period*
- *Anticipation* and *cash discounts* are added together; the only time when discounts are added
- Assume *360 days/year and 6% interest*
- *Anticipation = (days remaining / 360) X 6%*

### Example 4 - 9

30

- An invoice for \$600.00 dated July 20 has terms 8/10-30X, anticipation permitted. How much should be remitted if the invoice is paid on August 14?

$$\text{anticipation} = (15 / 360) \times 6\% = 0.25\%$$

$$\text{discount} = 0.25\% + 8\% = 8.25\%$$

$$\text{net cost} = \$600.00 \times .9175 = \$550.50$$

### Loading

34

- Increase in billed cost that is offset by an increased cash discount
- May be done by vendor or retailer
- *Doesn't change* the amount actually paid for merchandise
- **Loaded Cost = Net Cost / Complement of Cash Discount Desired**

### Example 4 - 11

32

- A handbag with a quoted cost of \$36.00 is sold with a 3% cash discount. What is the loaded cost when the handbag is sold with an 8% discount?

$$\text{Net cost} = \$36.00 \times .97 = \$34.92$$

$$\text{Loaded cost} = \$34.92 / (100\% - 8\%) = \$37.96$$

Check the answer:

$$\$37.96 \times .92 = \$34.92 = \text{net cost}$$

### Allowances

35

- Given by a supplier to encourage business and promote increased sales
- Compensation for specific purpose
- Often for advertising, display, or markdowns
- Granted by specific dollar amount per unit or by percent of service provided
- Off invoice or as rebates

## Types of Allowances

34

- Trade
- Buying
- Slotting, stocking, or introductory allowances, or street money
- Markdown guarantees or markdown money
- Promotional allowances

## Transportation Costs

35

- **Retailer** usually *pays transportation costs*
- **Transportation costs** are considered *part of the cost of merchandise* and must be **covered in the retail price**
- Buyer can request type of transportation

## Transportation Costs

36

- **FOB** indicates "*free on board*"
  - Refers to point where *ownership of merchandise transfers*
  - Refers to point where *responsibility of shipping expenses transfer*

## FOB Factory

37

- FOB Chicago
  - **Buyer** takes *title from factory*
  - Buyer *pays transportation charges from factory*
  - Most common

## FOB Destination

38

- FOB Houston
  - Vendor pays transportation costs *from factory*
  - Vendor *retains title* to merchandise *while in transit*

## FOB Shipping Point

39

- FOB Atlanta
  - Vendor has title to goods until freight is *delivered to a specified destination*
  - Vendor pays for delivery to the specified destination
  - Usually *destination* is the *retailer's warehouse or distribution center*
  - Once received at the distribution point, the *retailer takes title and pays for further transportation costs*

## FOB Destination; Charges Reversed

40

- FOB Houston; charges *reversed*
  - Vendor owns goods until they get to the *buyer's designated point*
  - Buyer pays transportation costs

## Factors

41

- *Financial institution that assists vendors* by acting as a *credit and collection* department
- *Unpaid orders* are given to the factor which supplies vendor with *cash advances* and *collects payments from vendor's customers*
- Charge a premium *interest rate* and a *fee* for their services

## Negotiating Services

42

- Buyer must also *negotiate* for services that might be provide by the vendor
- Negotiating for services will assist the buyer in *improving profit margin*

## Negotiating Services - For example:

43

- Packaging of merchandise for resale to retailer's customer
- Pre-ticketing, labeling, and loss prevention tagging of merchandise
- Cooperative advertising money
- Monetary reimbursement for markdowns
- Confinement and exclusivity of merchandise
- Point-of-purchase selling aids

#### ✚ **FOB (Free on Board)**

- A shipping term placed before a specific location, such as factory, origin, or store.
- That location is the point at which title (ownership) to the merchandise changes.

#### ✚ ***FOB Destination***

- The vendor pays all transportation costs and owns the merchandise until it arrives at the place designated by the buyer.
- These terms can also be written as “FOB Store” or “FOB Buyer’s Warehouse.”

#### ✚ ***FOB Destination; Charges Reversed***

- The vendor owns the goods until they get to the buyer’s designated point; however, the buyer pays the transportation charges.

#### ✚ ***FOB Factory (FOB origin)***

- The buyer takes title to the merchandise at the point of shipment (Factory).
- The buyer pays all transportation charges and assumes all risks for the goods while they are in transit.

#### ✚ ***FOB Shipping (Consolidation) Point***

- The vendor pays any crating and other costs necessary for getting the goods to a point where they can be turned over to a transportation company.
- These terms can also be written as “FOB Consolidation Point.”
- The retailer pays transportation costs from the shipping point to the store/distribution center.



## Appendix B

### Sample of Summary Problems

#### From Required Textbook

Eastering, C., Wuest, B., Flottman, E., & Jernigan, M. (2013). *Merchandising mathematics for retailing* (5<sup>th</sup> ed.). Upper Saddle River, NJ: Pearson Prentice Hall.

**Discount** – A reduction in price allowed by the seller.

*Cash Discount* A percent reduction in price allowed if the retailer pays for merchandise before some specified date; a price reduction allowed for prompt payment.

*Quantity/Patronage Discount* A reduction in cost that is based on the size of the order.

*Seasonal Discount* A discount given for purchasing goods out of season.

*Trade/Functional Discount* A percent reduction from list price that may be one or a series of discounts.

**Discount Date** – The last day on which the discount is allowed in the discount period.

**Factor** – Financial intermediary that collects vendors' receivables from retailers.

**FOB (Free on Board)** – A shipping term placed before a specific location, such as factory, origin, or store. That location is the point at which title (ownership) to the merchandise changes.

*FOB Destination* The vendor pays all transportation costs and owns the merchandise until it arrives at the place designated by the buyer. These terms can also be written as "FOB Store" or "FOB Buyer's Warehouse."

*FOB Destination; Charges Reversed* The vendor owns the goods until they get to the buyer's designated point; however, the buyer pays the transportation charges.

*FOB Factory (FOB origin)* The buyer takes title to the merchandise at the point of shipment (Factory). The buyer pays all transportation charges and assumes all risks for the goods while they are in transit.

*FOB Shipping (Consolidation) Point* The vendor pays any crating and other costs necessary for getting the goods to a point where they can be turned over to a transportation company. These terms can also be written as "FOB Consolidation Point." The retailer pays transportation costs from the shipping point to the store/distribution center.

**Invoice** – A bill that is enclosed with a shipment of merchandise or that is mailed by the seller to the buyer.

**Invoice Date** – The date on the invoice, which usually is the date the merchandise is shipped.

**List Price** – The manufacturer's suggested retail price. The price or dollar amount to which the trade discount is applied to obtain the billed cost.

**Markdown Guarantees** – An allowance offered by vendors to cover retailers' lost gross margin dollars resulting from retail price reductions.

**Net Cost** – The resulting amount to be paid for merchandise after applying discounts and transportation charges to the billed price.

**Net Payment Date** – Last day on which the buyer can pay for an invoice before it is considered overdue.

**Net Terms** – Notation on invoice which indicates that a cash discount is not allowed.

**Private-label goods** – Merchandise that carry the retailer's label and are sold exclusively by the retailer.

**Promotional Allowances** – Money given to compensate a retailer for the expense of promoting a product or brand.

**Rebate** – A refund of part of the cost of the merchandise.

**Robinson-Patman Act** – A federal ruling that regulates price discrimination in interstate commerce.

**Slotting/Stocking/Introductory Allowance, or Street Money** – Allowance given for stocking a new product.

**Terms** – The conditions of the discount including the cash discount and dating.

**Trade Allowance** – Compensation given for stocking or displaying merchandise.

**Vendor** – Individual or firm from whom retailers buy merchandise. Also called a resource or supplier.

**Wholesale Price** – The amount the vendor charges for goods.

# Chapter 4 • Summary Problems

1. An invoice dated May 15 with trade discounts of 40% and 15% has terms of 3/10, n/30. The invoice reads as follows:

Quantity	Item	List Price (\$)
3 1/2 dozen	Clutch	35.00 each
2 2/3 dozen	Billfold	30.00 each
1 1/6 dozen	French purse	45.00 each
2 2/3 dozen	Card case	25.00 each

How much should be remitted if the invoice is paid on (a) May 25? (b) June 10?

2. An invoice is dated June 28 for \$867.60 with terms of 8/10 EOM. Merchandise was received on July 3. How much is due if the invoice is paid (a) on or before July 10? (b) on August 10? (c) on August 30?
  
3. Merchandise received on July 20 is charged to the store on an invoice dated July 8 for \$1,254 with terms of 6/10-60X.
  - (a) What is the last day for taking the cash discount?
  - (b) If the invoice is paid on September 17, how much should be remitted?
  
4. A retailer in Atlanta ordered a shipment of shoes totaling \$15,800 from a vendor in California. The shipping cost was \$220. The shoes were shipped FOB Atlanta; charges reversed. The shoe vendor gave the retailer a 1% damage allowance. How much did the retailer pay the vendor for the shoes?
  
5. On April 2, merchandise costing \$15,400 reaches the retailer located in New Orleans, Louisiana. The invoice is dated March 22 and has terms of 8/10 EOM. The invoice is paid on April 10.
  - (a) How much should be remitted?
  - (b) If the merchandise is shipped FOB New Orleans, Louisiana, charges reversed, with transportation charges of \$300, how much should be remitted?
  
6. Merchandise with a total billed cost of \$8,320 arrived at the retailer October 6. Terms of the invoice, dated September 22, were 3/10 ROG, FOB store. Transportation charges were \$210. If the invoice is paid on October 16, how much should be paid?
  
7. A wholesaler ordered 14 bolts of drapery fabric at \$5.50 per yard. Each bolt had 60 yards. The order qualified for a quantity discount of 2%. The merchandise was shipped FOB factory; freight charges of \$21.80 were prepaid. The invoice was dated March 18 with terms of 2/15, n/30. How much should be remitted if the invoice is paid on March 29?
  
8. The buyer for the children's department is offered advanced dating and free transportation if the store will accept delivery of winter coats in August. The invoice, dated August 1, has a total billed cost of \$2,158.60 with terms of 8/10, n/30 as of October 1, FOB store. The coats arrive August 8; transportation costs of \$28.70 have been prepaid. If the invoice is paid on October 11, how much should be remitted?
  
9. A sportswear buyer placed the following order for coordinates:

Quantity	Item	Cost (\$)
4 $\frac{1}{2}$ dozen	Blouses	19.00 each
3 $\frac{1}{2}$ dozen	Skirts	21.00 each
2 $\frac{1}{4}$ dozen	Pants	23.00 each
3 $\frac{1}{6}$ dozen	Jackets	36.00 each

The merchandise is shipped September 15 and received September 22. Invoice terms are 8/10 EOM, FOB factory; transportation charges of \$24.79 have been prepaid. How much should be remitted if the invoice is paid on (a) October 8? (b) October 25?

10. The toy buyer had the option of ordering stuffed animals directly from the manufacturer or from a nearby wholesaler. The manufacturer will not ship orders for less than \$1,200 total list price. Delivery typically requires five weeks, and freight averages 2.5% of total billed cost. Trade discounts on this merchandise are 40% and 10%; terms are 2/10, n/30.

A wholesaler, located in the retailer's area, stocks many of the same stuffed animals. He does not require a minimum order and will deliver at no charge in the area if the order has a billed cost of at least \$500. The manufacturer and wholesaler base cost on the same list price; however, the wholesaler sells with trade discounts of 40% and 8% and terms of 1/15, n/30.

- (a) What is the difference in the total net cost (including freight) of merchandise with a total list price of \$1,200 from these two vendors? (Be sure to take the cash discount.)
- (b) What other considerations should influence the choice of vendors?

# Appendix C

## Sample of Exam Questions



3. On June 24, a buyer received a purchase that amounted to a list price of \$16,000. This merchandise had a trade discount of 37.5%. The buyer wanted to negotiate with the supplier the last date possible to take a cash discount. The invoice on this purchase was dated June 22. Determine the various cash payment dates for the buyer under the following purchase terms: (8 points)
- a. 2/10, n/30
  - b. 2/10, n/30 ROG
  - c. 2/10, n/30 EOM
  - d. 2/10-60X, anticipation allowed
4. An invoice for a shipment of luggage is dated September 27 and is paid on October 25. The trade discount is 45% and 5%, with terms of 2/10 EOM, anticipation permitted, FOB retailer's warehouse. There is a quantity discount of 1% on initial orders of \$6,000 or more. What amount should be remitted to the vendor if the bill was for: (8 points)

Quantity	Luggage	List price
50	2 Suiter	\$45
120	Overnighter	\$25
70	Dress Bag	\$30
90	Vacationer	\$60

5. On June 10, the junior sportswear buyer for a large department store placed an order with a resource who offered terms of 8/10, n/30 EOM, FOB warehouse, freight prepaid. Determine the required payment if the date of the invoice was August 10, the amount of the invoice was \$8,700, and the bill was paid August 18. (5 points)
6. An invoice was received by Grandma's Closet in the amount of \$2,100 with terms of 2/10-30X, n/90. If the invoice is dated April 20, what payment would be made on April 30? If the buyer desired a 6% cash discount, what is the "loaded" cost? (4 points)
7. A salesperson in the furniture department received 8% commission on special orders and only 5% commission on goods on hand. How much he receive in commissions if he sold \$30,500 of special-order furniture and \$20,552 of furniture on hand? (3 points)



8. A sportswear buyer placed the following order for coordinates:

Quantity	Item	Cost
4 ½ dozen	Blouses	\$10.00 each
3 ½ dozen	Skirts	\$21.00 each
2 ¼ dozen	Pants	\$23.00 each
3 1/6 dozen	Jackets	\$36.00 each

The merchandise is shipped September 15 and received September 22. Invoice terms are 8/10 EOM, FOB factory; transportation charges of \$24.70 have been prepaid. How much should be remitted if the invoice is paid on (a) October 8? (b) October 25? (10 points)

9. The toy buyer had the option of ordering stuffed animals from the manufacturer or from a nearby wholesaler. The manufacturer will not ship orders for less than \$1,200 total list price. Delivery typically required five weeks, and freight average 2.5% of total billed cost. Trade discounts on this merchandise are 40% and 10%; terms are 2/10, n/30.

A wholesaler, located in the retailer's area, stocks many of the same stuffed animals. He does not require a minimum order and will deliver at no charge in the area if the order has a billed cost of at least \$500. The manufacturer and wholesaler has cost on the same list price; however, the wholesaler sells with trade discounts of 40% and 8% and terms of 1/15, n/30.

- (a) What is the difference in the total net cost of merchandise with a total list price of \$1,200 from these two vendors? (9 points)
- (b) What other considerations should influence the choice of vendors? (2 points)

10. An order totals \$2,341 for merchandise normally sold with terms of 2/10, n/30. What will be the loaded price if the merchandise is sold with terms of 4/10, n/30? (3 points)

11. Smith Brothers Furniture Store buys from a manufacturer that offers discounts of 30%, 15%, and 10%. If the total cost after trade discounts exceeds \$6,000, a quantity discount of 0.75% is allowed. The terms are 2/15, n/30. On the following order how much should be remitted when the cash discount is taken? (7 points)

Quantity	Item	List Price
3	Table	\$900
6	Chair	\$230
24	Chair	\$180
2	Hutch	\$1,200
2	Serving cart	\$380