721-723

CHAPTER 23 Study [illegible]de and Assessment

Living in the Real World

Vintage Vamp

Estimating Chinen, as a business planner and owner of her own store, uses experience, profiles of current economic conditions, and predictions by government officials and financial experts to put together strategic short-term and long-range plans. If her store is to downsize its inventory, to merge, to relocate, or to expand, it's important that business planning determines the most efficient, effective, and inexpensive way to relocate the store and transfer the inventory.

Strategic Planning. Imagine Chinen hires you, a business relocation specialist, to move Vintage Vamp to a better location, but a smaller store.

- What would you need to find out about the Vintage Vamp move?
- What kinds of emotions might her employees and loyal customers be experiencing about the move of Vintage Vamp? Does the reason for the move make a difference? How so?

After YOU READ

REVIEW OF KEY WORDS

inflation (p. 706)
gross domestic product (GDP) (p. 710)
real GDP (p. 710)
per capita GDP (p. 710)
consumer price index (CPI) (p. 713)
budget (p. 716)

Match one of the key words above with a definition below.

1. a general increase in the cost of goods and services.
2. the total value of the goods and services produced in a country in a given year.
3. a plan for using money in a way that best meets your wants and needs.
4. the gross domestic product of a country distributed over the population, or the GDP per person.
5. a measure of the average change in prices of a certain number of goods and services.
6. the gross domestic product adjusted to include the effects of inflation.

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Skills and Concepts

SECTION OBJECTIVE 23-1 AND EXAMPLES

Compute the inflation rate, the current price, and the original price.

The original price was $95. The current price is $125. What is the inflation rate?

STEP: Find the inflation rate.

(Current Price − Original Price) ÷ Original Price
($125 − $95) ÷ $95 = **0.3157 or 31.6% inflation rate**

REVIEW EXERCISES

Complete the table.

	Inflation Rate	Current Price	Original Price
7.		$5,640.00	$5,104.56
8.		103.95	89.95
9.	2.2%		1,302.00
10.	18.0%		498.65
11.	0.9%	985.40	
12.	6.7%	6,309.65	

SECTION OBJECTIVE 23-2 AND EXAMPLES

Explain and compute the gross domestic product.

Norway has an inflation rate of 2.9 percent and a GDP of $124.1 billion. The population of Norway is 4,503,440. What is the real GDP? What is the per capita GDP?

STEP 1: Find the real GDP.

GDP − (GDP × Inflation Rate) =
($124.1 billion × 2.9%) =
$124.1 billion − $3.6 billion =
$120.5 billion real GDP

STEP 2: Find the per capita GDP.

GDP ÷ Population
$124.1 billion ÷ 4,503,440 = **$27,556.71 per capita GDP**

REVIEW EXERCISES

Find the real GDP and per capita GDP.

	GDP	Inflation Rate	Population	Real GDP	Per Capita GDP
13.	$321.8 million	2.10%	63.1 million	a.	b.
14.	98,567,021	0.85%	45,000,000	a.	b.
15.	548.1 billion	11.40%	2,765,090,900	a.	b.
16.	983,409,321	8.10%	42,970,430	a.	b.
17.	6,340,975,000	3.50%	1,450,040,000	a.	b.
18.	11,089,756,000	1.90%	2.1 billion	a.	b.

Study Guide and Assessment

CHAPTER 23

SECTION OBJECTIVE 23-3 AND EXAMPLES

Calculate the consumer price index, the current cost, and the cost of any given commodity.

The current cost of a pair of earrings is $36.99. The cost in 1983 was $21.95. What is the CPI?

STEP: Find the CPI. (Current Cost ÷ Cost in 1983) × 100

($36.99 ÷ $21.95) × 100 = **168.52 CPI**

REVIEW EXERCISES

Complete the table.

	Item	CPI	Current Cost	Cost in 1983
19.	Prom dress		$285.99	$ 98.50
20.	Cup of coffee		3.50	1.00
21.	Motorcycle	215.7		7,495.00
22.	Sunglasses	150.2		6.55
23.	Lipstick	146.5	8.95	
24.	Tennis shoes	184.3	85.65	

SECTION OBJECTIVE 23-4 AND EXAMPLES

Allocate revenue and expenses, and analyze a budget.

The Moose Lodge Resort wanted to earn $1,300,000 in revenues for the year. The company expected to earn its revenues from the following sources: 72 percent from room rental, 18 percent from food sales, and 10 percent from gift shop sales. At the end of the year, The Moose Lodge Resort reviewed its actual amounts from each area. Room rentals were $903,000, food sales were $210,000, and gift shop sales were $100,000. Did the company reach its goals in revenues? Find the difference between the actual amount and budget allocation for each source.

STEP: Find the budget allocation and the difference.

Moose Lodge	Actual Amount	−	Budget Allocation					=	Difference
Room rentals	$903,000	−	$1,300,000	×	72%	=	$936,000	=	−$33,000
Food sales	210,000	−	1,300,000	×	18%	=	234,000	=	−24,000
Gift shop sales	100,000	−	1,300,000	×	10%	=	130,000	=	−30,000
Total									**−$87,000**

REVIEW EXERCISES

Complete the table.

	Total Revenue	Expected Percent	Actual Amount	Budget Allocation	Difference
25.	$ 65,400	45%	$ 50,500	a.	b.
26.	109,000	28%	36,540	a.	b.
27.	231,090	66%	121,965	a.	b.
28.	543,000	11%	23,900	a.	b.
29.	[illegible]	[illegible]	[illegible]		