**Analysing Business Results - Profitability Activities**

**Activity 1**

The gross profit ratio is important because it shows the relationship between gross profit and net sales. What this ratio reveals is the mark-up policy and the efficiency of purchases to sales.

Income Statement

|  |  |  |
| --- | --- | --- |
|  | 2014 | 2015 |
| Sales  Less Cost of Sales  Gross Profit | 200 000  \_140 000  60 000 | 240 000  194 000  46 000 |

You are required to:

1 Calculate the gross profit ratio for 2014 and 2015

2 Comment on the trend that these ratios indicate.

**Activity 2**

The following information relates to a DVD retail store which has been trading for five years.

Income Statements for Year Ended:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 30/6 2012 | 30/6/2013 | 30/6/2014 | 30/6/2015 |
| Sales (credit)  Cost of Sales  Gross Profit | 200 000  152 000  48 000 | 220 000  126 000  94 000 | 240 000  164 000  76 000 | 280 000  156 000  124 000 |

You are required to:

1 Calculate the Gross Profit Ratios for 2012, 2013 and 2013

2 Comment:

**Activity 3**

The following table shows the total sales and total Cost of Sales.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **Sales ($)** | **COS ($)** | **Gross Profit** | **Gross Profit Ratio** |
| 2011 | 75.600 | 37,600 |  |  |
| 2012 | 79,400 | 39,400 |  |  |
| 2013 | 81,200 | 44,500 |  |  |

Required:

1 In the table above calculate the gross profit and the gross profit ratio for 2011, 2012 and 2013.

**Activity 4**

Susie Wong has provided you with the trading results for three consecutive years, 2013, 2014 and 2015.

Income Statement for years ended:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2013 | 2014 | 2015 |
| Sales (credit)  Cost of Sales  Gross Profit  Less Operating Expenses  **Net Profit** | 75 000  46 000  29 000  7 000  22 000 | 100 000  51 000  49 000  20 000  29 000 | 130 000  58 000  72 000  30 000  42 000 |

You are required to calculate the following ratios:

1 gross profit ratio

|  |  |  |
| --- | --- | --- |
| 2013 | 2014 | 2015 |
|  |  |  |

2 net profit ratio

|  |  |  |
| --- | --- | --- |
| 2013 | 2014 | 2015 |
|  |  |  |

3 Describe the trend that the above ratios reveal

**Activity 5**

You have been provided with the following Income Statements for Go-and-Stop.

INCOME STATEMENT FOR GO-AND-STOP

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Sales  Cost of Sales  Gross Profit  Less Expenses  Wages  Office expenses  Insurance  Advertising  Total Expenses  Net Profit | 2011  80,000  37,000  15,000  3,000  1,000  1,000 | % | 2012  87,000  39,000  30,000  3,000  4,000  2,000 | % |

Required

1. Calculate the gross profit and net profit for 2011 and 2012.
2. Calculate the gross profit ratio and net profit ratio for 2011 and 2012