**Analysing Business Results – Measures of Profitability Activities**

**Activity 1**

The following information has been provided to you by Robert Bunni.

**Robert Bunni**

**Income Statements for Years Ended 30 June**

|  |  |  |
| --- | --- | --- |
|  | 2014 | 2015 |
| Sales  Cost of Sales  Gross Profit  Less Operating Expenses  Net Profit | 400 000  210 000  190 000  91 000  99 000 | 530 000  390 000  140 000  107 000  33 000 |

You are required to:

1 Calculate the gross profit, net profit and expense ratio

**Activity 2**

The following Income Statement has been provided by Zelta Continental Goods.

**Zelta Continental Goods**

**Income Statement years ended**

|  |  |  |
| --- | --- | --- |
|  | 2014 | 2015 |
| Sales  Cost of Sales  **Gross Profit**  Less Operating Expenses  **Net Profit** | 200 000  \_140 000  60 000  22 000  $38 000 | 240 000  194 000  46 000  24 000  $22 000 |
| Gross profit ratio |  |  |
| Net profit ratio |  |  |
| Operating expense ratio |  |  |

You are required to:

1 Calculate the following ratios

* Gross profit ratio
* Net profit ratio
* Operating expense ratio

**Activity 3**

The summarized profit and loss statement of Kwinana Cement Works for 30 June 2014 and 30 June 2015 are shown below:

**Kwinana Cement Works**

**Income Statements for years ended:**

|  |  |  |
| --- | --- | --- |
|  | 2014 | 2015 |
| Net Sales  Cost of Sales  Gross Profit  Less Operating Expenses  Net Profit | 150 000  \_68 000  82 000  \_25 000  57 000 | 180 000  \_76 000  104 000  \_30 000  74 000 |

You are required to:

1 Calculate the ratios for 2015 and record them in the spaces provided. The ratios for 2014 have already been done.

|  |  |  |
| --- | --- | --- |
|  | 2014 | 2015 |
| Gross profit ratio | 54.66% |  |
| Net profit ratio | 38.00% |  |
| Operating expense ratio | 16.66% |  |

Comment:

You are required to interpret the ratios for 2014 and 2015 for Kwinana Cement Works and comment on the changes to profitability and efficiency of management.