**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 |
| SalesCost of SalesGross ProfitLess Operating ExpensesNet Profit | 400 000210 000190 00091 00099 000 | 530 000390 000140 000107 00033 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 00060 00022 000$38 000 | 240 000194 00046 00024 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 SalesCost of SalesGross ProfitLess Operating ExpensesNet Profit | 150 000\_68 00082 000\_25 00057 000 | 180 000\_76 000104 000\_30 00074 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.