The following data has been taken from last years' statement of comprehensive income for Grey Mice. Complete the statement.

Grey Mice Statement of comprehensive income For the year ended 31 December 20XX		
	£	£
Sales		120 000
Cost of sales		
Gross profit		61 000
Expenses		
Wages and salaries	19 000	
Rent, rates, insurance	15 000	
Light, heat and power	12 000	
Total expenses		
Net profit/loss		15 000

Gross profit margin percentage:

Gross profit / revenue x 100

Net profit margin percentage:

Net profit / revenue x 100

Calculate the gross profit margin percentage and the net profit margin percentage.

Gross profit margin percentage	Net profit margin percentage

This year the GPM was 42% and the NPM was 13%.

Has profitability improved or worsened? Explain your answer.

Grey Mice wants to improve its profitability. Explain one action it could take to improve gross profit margin.

The following data has been taken from last years' statement of financial position for Grey Mice.

- Delivery van £4 000
- Machinery £5 000
- Inventory £1 800
- Debtors £600
- Creditors £1 100
- Overdraft £850

Fill in the gaps of the partially completed statement of financial position below.

	£	£
Fixed assets		
Delivery van		
	5 000	
Total fixed assets		
Current assets		
	1 800	
Debtors		
Total current assets		
Total current liabilities		
Net current assets		
Net assets		

Current ratio:

Current assets/ current liabilities

Liquid capital ratio:

(Current assets – inventory) / current liabilities

Calculate the current ratio and the liquid capital ratio.

Current ratio	Liquid capital ratio

This year the current ratio was 1.23:1 and the liquid capital ratio 0.31:1

Has liquidity improved or worsened? Explain your answer.

Grey Mice wants to improve its liquidity. Explain one action it could take to improve liquidity.