Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**2.3.1 Profit**

1. Which one of the following is a measure of profitability?
   1. Profit variance analysis
   2. Gross profit margin
   3. Margin of safety
   4. Profit for the year

Explanation:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Explain each of the following statements.
   1. Offering longer payment terms to customers can improve profit but have a negative effect on cash flow.

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* 1. Paying suppliers quickly can improve profits but have a negative effect on cash flow.

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* 1. It is difficult to improve profits without having a negative effect on cash flow in the short run.

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1. Use the following words and numbers to complete the table below.
   * Gross profit
   * £45 000
   * Revenue
   * Interest and taxation
   * £85 000
   * Expenses
   * £33 750
   * Profit for the year

|  |  |
| --- | --- |
|  | £300 000 |
| Cost of sales |  |
|  | £215 000 |
|  | £170 000 |
| Operating profit |  |
|  | £11 250 |
|  |  |