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 |
|  |  |