**21. Profit Mark: /24**

1. Rora Ltd is a tyre and exhaust centre. The table below shows data for month 1 of the financial year.

|  |  |  |  |
| --- | --- | --- | --- |
| Total sales | Cost of sales (direct costs) | Average expenses per customer | Number of customers |
| £225 000 | £75 000 | £35 | 1 500 |

* 1. What is Rora Ltd’s gross profit for month 1? /2 marks

Gross Profit = Sales Revenue – Cost of Sales
Gross Profit = £225 000 – £75 000
Gross Profit = **£150 000**

* 1. What is Rora Ltd’s gross profit margin for month 1? /3 marks

Gross Profit Margin = Gross Profit x 100/ Revenue
Gross Profit Margin = £150 000/£225 000 x 100
Gross Profit Margin = **66.7%**

* 1. What is Rora Ltd’s operating profit (profit from operations)? /2 marks

Operating Profit = Gross Profit – Expenses
Operating Profit = £150 000 – (35 x 1500)
Operating Profit = £150 000 – £52 500
Operating Profit = **£97 500**

* 1. What is Rora Ltd’s operating profit margin (profit from operations)? /3 marks

Operating Profit Margin = Operating Profit x 100/ Sales Revenue
Operating Profit Margin = £97 500/£225 000 x 100
Operating Profit Margin = **43.3%**

1. Fawcett & Sons Ltd is a manufacturer of tractors. Use the information listed below to complete the key financial data table. /14 marks
* Sales revenue in year 1 £21.2m
* Sales revenue in year 2 was 10% higher than year 1
* Cost of sales in year 1 30% of sales revenue
* Cost of sales in year 2 28% of sales revenue
* Expenses in year 1 £10.3m
* Operating profit in year 2 £11.1m
* Interest and taxation in year 1 and year 2 20% of operating profit

|  |  |  |
| --- | --- | --- |
| Key financial data for Fawcett and Sons Ltd | Year 1 | Year 2 |
| Sales revenue | £21 200 000 | £23 320 000 |
| Cost of sales | £6 360 000 | £6 529 600 |
| Gross profit | 14 840 000 | 16 790 400 |
| Expenses | 10 300 000 | 5 690 400 |
| Operating profit | 4 540 000 | 11 100 000 |
| Interest and taxation | 908 000 | 2 220 000 |
| Profit for the year | 3 632 000 | 8 880 000 |