

TAVUA COLLEGE
YEAR 13 ACCOUNTING
WEEKLY HOME STUDY PACKAGE – WEEK 2 (12/07/21 – 16/07/21)

SOLUTION

1.

Ratio /Formula	2017	2018
a. Gross profit Ratio $\frac{\text{Gross Profit}}{\text{Net Sales}}$ (½ mark for formula)	$\text{GP} = \text{Net Sales} - \text{COGS}$ $= (160\,000 + 80\,000) - 165\,000$ $= \$75\,000$ $\frac{75\,000}{240\,000} = \underline{0.31:1}$ (1 mark for correct answer)	$\text{GP} = \text{Net Sales} - \text{COGS}$ $(90\,000 + 180\,000) - 172\,000$ $= \$98\,000$ $\frac{98\,000}{270\,000} = \underline{0.36:1}$ (1 mark for correct answer)
b. Mark-up percentage $\frac{\text{Gross Profit}}{\text{COGS}} \times 100$ (½ mark for formula)	$\frac{75\,000}{165\,000} \times 100$ $= \underline{45.45\%}$ (1 mark for correct answer)	$\frac{98\,000}{172\,000} \times 100$ $= \underline{56.98\%}$ (1 mark for correct answer)
c. Net profit percentage $= \frac{\text{Net profit after tax}}{\text{Net Sales}} \times 100$ (½ mark for formula)	$\text{Net Profit} = \text{Gross Profit} - \text{Total Expenses}$ $= 75\,000 - 50\,000$ $= \$25\,000$ $\text{Net Profit after tax} = \text{Net profit} - \text{Income Tax}$ $= 25\,000 - 8\,000$ $= 17\,000$ $\frac{17\,000}{240\,000} \times 100 = \underline{7.08\%}$ (1 mark for correct answer)	$\text{Net Profit} = \text{Gross Profit} - \text{Total Expenses}$ $= 98\,000 - 60\,000$ $= \$38\,000$ $\text{Net Profit after tax} = \text{Net profit} - \text{Income Tax}$ $= 38\,000 - 9\,000$ $= 29\,000$ $\frac{29\,000}{270\,000} \times 100 = \underline{10.74\%}$ (1 mark for correct answer)

2. Gross Profit Ratio – the ratio has increased from 0.31:1 in 2017 to 0.36:1 in 2018. The ratio has improved. The improvement could be a result of cheaper buying or increase in mark-up ratio. **(1 mark)**

Mark up percentage – the percentage has increased from 45.45% in 2017 to 56.98% in 2018. The increase in the ratio has led to an improvement in the gross profit of the business. **(1 mark)**

Net Profit percentage – the ratio has increased from 7.08% in 2017 to 10.74% in 2018. The net profit percentage has improved. It could be a result of higher gross profit and control on total expenses of the business. **(1 mark)**