

QUESTION
 The following information is taken from the financial statements of a company for the year ended 31 December 2018.

Revenue	1000
Cost of sales	(400)
Gross profit	600
Operating expenses	(200)
Operating profit	400
Finance income	50
Finance expense	(20)
Profit before tax	430
Income tax expense	(86)
Profit for the year	344

REQUIRED
 Calculate the following ratios for the year ended 31 December 2018.

ANSWERS

1. Gross Profit Ratio

$$\frac{\text{Gross Profit}}{\text{Revenue}} \times 100 = \frac{600}{1000} \times 100 = 60\%$$

2. Operating Profit Ratio

$$\frac{\text{Operating Profit}}{\text{Revenue}} \times 100 = \frac{400}{1000} \times 100 = 40\%$$

3. Profit Before Tax Ratio

$$\frac{\text{Profit Before Tax}}{\text{Revenue}} \times 100 = \frac{430}{1000} \times 100 = 43\%$$