

QUESTION

The following information is available for the company's operations in the current period:

	Current Period	Previous Period
Revenue	100,000	90,000
Cost of Sales	(70,000)	(60,000)
Operating Expenses	(20,000)	(20,000)
Operating Profit	10,000	10,000
Interest Expense	(5,000)	(5,000)
Income Tax Expense	(3,000)	(3,000)
Net Profit	2,000	2,000

ANSWER

The company's operating profit is the same in both periods, but its net profit is lower in the current period. This is due to the increase in interest expense and income tax expense. The company's operating profit is the same in both periods, but its net profit is lower in the current period. This is due to the increase in interest expense and income tax expense.

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