

### QUESTION

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

	£
Revenue	1,000,000
Cost of sales	(400,000)
Operating expenses	(150,000)
Operating profit	450,000
Finance income	20,000
Finance expense	(10,000)
Profit before tax	460,000
Income tax expense	(100,000)
Profit for the year	360,000

The company has 1,000,000 ordinary shares in issue, each with a nominal value of £1.00. The company's financial statements are prepared in accordance with the provisions of the Companies Act 2006.

### REQUIRED

- Calculate the company's operating profit margin for the year ended 31 December 2018.
- Calculate the company's profit before tax margin for the year ended 31 December 2018.
- Calculate the company's profit for the year margin for the year ended 31 December 2018.

NOTE: All figures are in £ unless otherwise stated.

### ANSWERS



**1.** Operating profit margin =  $\frac{\text{Operating profit}}{\text{Revenue}} \times 100$   
 $= \frac{450,000}{1,000,000} \times 100 = 45\%$

**2.** Profit before tax margin =  $\frac{\text{Profit before tax}}{\text{Revenue}} \times 100$   
 $= \frac{460,000}{1,000,000} \times 100 = 46\%$

**3.** Profit for the year margin =  $\frac{\text{Profit for the year}}{\text{Revenue}} \times 100$   
 $= \frac{360,000}{1,000,000} \times 100 = 36\%$