

QUESTION

The following information is taken from the financial statements of ABC Co. for the year ended 31 December 2018:

| | 2018 | 2017 |
|---------------------|----------|----------|
| Revenue | 100,000 | 90,000 |
| Cost of sales | (40,000) | (35,000) |
| Gross profit | 60,000 | 55,000 |
| Operating expenses | (20,000) | (18,000) |
| Operating profit | 40,000 | 37,000 |
| Finance income | 5,000 | 4,000 |
| Finance expense | (3,000) | (2,000) |
| Profit before tax | 42,000 | 39,000 |
| Income tax expense | (10,000) | (9,000) |
| Profit for the year | 32,000 | 30,000 |

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Required: Calculate the following ratios for ABC Co. for the year ended 31 December 2018:

ANSWER



Working: Gross Profit Ratio = $\frac{\text{Gross Profit}}{\text{Revenue}} \times 100 = \frac{60,000}{100,000} \times 100 = 60\%$