

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 no other income or expenses. The company's tax rate is 20%.

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Finance income	20,000	
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Profit before tax	460,000	
Income tax expense	(100,000)	
Profit for the year	360,000	

Required: Calculate the company's profit margin ratio.

ANSWER



	£	£
Revenue	1,000,000	
Cost of sales	(400,000)	
Operating profit	450,000	
Operating profit	450,000	45%

Required: Calculate the company's profit margin ratio.