**ELEMENT 3: ACTIVITY 2: LO4**

**Relationship between sales, costs and profits**

**PART ONE**

Look at the following table of information relating to a manufacturing business.

|  |  |  |  |
| --- | --- | --- | --- |
| **Month 1** | **Product A** | **Product B** | **Product C** |
| Sales $ | 160,000 | 85,000 |  |
| Cost of sales $ |  | 32,000 | 55,000 |
| Gross profit $ | 45,000 |  | 12,000 |
| Gross profit % |  |  |  |

Gross profit percentage (%) is calculated as **Gross profit ÷ Sales × 100**

1. Calculate and insert the missing information into the table above.
2. Which product produces the highest gross profit percentage?

Show your workings here:

**PART TWO**

Now look at the end of year figures for three businesses.

|  |  |  |  |
| --- | --- | --- | --- |
| **Year 1** | **Business A** | **Business B** | **Business C** |
| Sales $ | 78,000 | 120,000 | 64,000 |
| Cost of sales $ | 29,000 | 86,000 | 12,000 |
| Gross profit $ |  |  |  |
| Gross profit % |  |  |  |
| Expenses $ | 10,000 | 22,000 | 30,000 |
| Net profit $ |  |  |  |
| Net profit % |  |  |  |

Net profit percentage (%) is calculated as **Net profit ÷ Sales × 100**

1. Calculate the gross profit and gross profit % for each business.
2. Calculate the net profit and net profit % for each business.
3. Which business is most successful in terms of net profit?

Show your workings here: