COMPONENT 3 DATA 1

1 Based on product sales of 30 000 units, **calculate** the average selling price.

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2 Calculate the average cost of sales per unit.

3 Calculate the Gross Profit.

14 Assess the performance of the business from a profit and liquidity perspective.

13 Using the completed data, **calculate** the liquid capital ratio for both years.

12 Using the completed data, **calculate** the current ratio for both years.

BUSINESS PROFILE

Ramesh has begun a new restaurant in the centre of his local town. He has been trading for a couple of years now, but is concerned about his restaurant's financial performance.

Data from the statement of comprehensive income

Turnover	46 250
Cost of sales	25 400
Gross profit	
Expenses	
Staff	5 000
Transport	10 400
Other costs	9 500
Net profit	

Data from the statement of financial position		
	Year 1	Year 2
Fixed Assets	28 250	22 600
Current Assets		
Trade debtors	24 750	18 250
Cash	8 600	6 450
Inventory (stock)	6 250	3 750
Current Liabilities		
Trade creditors	31 350	21 700
Overdraft	4 200	9 650
Net current assets		
Long term liabilities	0	0
Net assets		
Financed by		
Owner's capital	15 000	15 000
Retained profit	17 300	4 800
Total capital	32 300	19 800



11 Calculate the net assets for Year 1 and Year 2.

10 Calculate the net current assets for Year 1 and Year 2.

9 Define what is meant by the term net current assets.



4 Calculate the Net Profit.

5 Discuss how the business could improve both its gross and net profit figures.

6 Calculate the gross profit margin percentage.

7 Calculate the net profit margin percentage.

8 **Calculate** the total current assets figure for Year 1 and Year 2.

COMPONENT 3 DATA 1 SUGGESTED ANSWERS

1 Based on product sales of 30 000 units, calculate the average selling price.

46,250/30,000 = £1.54

14 Assess the performance of the business from a profit and liquidity perspective.

The business is creating a fair GPM % figure of 45.08%, however its expenses are too high in order to make a profit, resulting in a NPM % figure of -8.76%. The business is clearly not controlling its expenses well. The restaurant's liquidity is weak shown by both the current and the liquid capital ratio, highlighting the business may struggle to pay off its short term debts. Overall, the business is not in a strong financial position in terms of liquidity or profitability.

13 Using the completed data, calculate the liquid capital ratio for both years.

Year 1: 39,600-6,250/35,550 = 0.94:1 Year 2: 28,450-3,750/31,350 = 0.79:1

12 Using the completed data, calculate the current ratio for both years.
Year 1: 39,600/35,550 = 1.11:1

Year 2: 28,450/31,350 = 0.91:1

2 Calculate the average cost of sales per unit.
 25,400/30,000 = £0.85 or 85p

3 Calculate the Gross Profit. 46,250 - 25,400 = £20,850

TIME TO REVIEW YOUR LEARNING... List three content points that you are confident with and three that require some attention.

Confident with	Requires attention
1	1
2	2
3	3
 11 Calculate the net assets for Year 1 and Year 2. Year 1: 28,250 + 4,050 - 0 = £32,300 Year 2: 22,600 + (2,900) - 0 = £19,700 	 10 Calculate the net current assets for Year 1 and Year 2. Year 1: 39,600 - (31,350 + 4,200) = £4,050 Year 2: 28,450 - (21,700 - 9,650) = (£2,900)

- 4 Calculate the Net Profit. 20,850 - (5,000 + 10,400 + 9,500) = (£4,050)
- **5** Discuss how the business could improve both its gross and net profit figures.

Increase turnover e.g. changing price or using more promotion, ensuring the increased cost of promotion does not exceed any increase in turnover. Decrease costs eg: find cheaper suppliers, find more efficient methods of production.

- 6 Calculate the gross profit margin percentage.
 20,850/46,250 x 100 = 45.08%
- 7 Calculate the net profit margin percentage.
 -4,050/46,250 x 100 = -8.76%
- 8 Calculate the total current assets figure for Year 1 and Year 2.

Year 1: 27,750 + 8,600 + 6,250 = \pounds 39,600 Year 2: 18,250 + 6,450 + 3,750 = \pounds 28,450

9 *Define what is meant by the term net current assets.*

Net current assets is the financial calculation which represents the short term liquidity of a business. It measures how much money a business has in the short term (under a year) by calculating current assets – current liabilities.