# 3.12 Calculating Gross Profit Margin and Net Profit Margin: 10-minute Pack

AQA 8132 · Calculators not allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

**Answer ALL questions. Show your working where calculations are required. The income statement extract used below is fictional and repeated where needed.**

**1** State the formula used to calculate net profit margin as a percentage.

**(Total for Question 1 is 1 mark)**

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**2** A cafe sells the same number of cups of coffee as last year, at the same cost of sales per cup, but raises its selling price. What is the most likely effect on the cafe's gross profit margin?

- ☐ A) It decreases, because expenses always rise with price
- ☐ B) It increases, because revenue rises while cost of sales stays the same
- ☐ C) It stays exactly the same, because margin is not affected by price
- ☐ D) It becomes negative, because higher prices always reduce demand to zero

**(Total for Question 2 is 1 mark)**

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**3** Bright Bean Cafes' extract shows revenue £50,000 and cost of sales £30,000, giving a gross profit figure. Calculate the gross profit in pounds. Show your working.

**(Total for Question 3 is 2 marks)**


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**4** Using the Bright Bean Cafes figures (gross profit £20,000; revenue £50,000), express the gross profit margin as a fraction and then as a percentage to one decimal place. Show your working.

**(Total for Question 4 is 2 marks)**

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**5** A cafe owner says: 'My net profit margin fell from 20% to 15% this year, but my net profit in pounds actually increased.' Explain how this can be true.

**(Total for Question 5 is 3 marks)**


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# Mark scheme · 3.12 Calculating Gross Profit Margin and Net Profit Margin: 10-minute Pack

## Question 1

| | |
|---|---|
| (profit for the year / revenue) x 100, oe | **B1** |

**Answer: (Profit for the year / Revenue) x 100.**

## Question 2

| | |
|---|---|
| B cao | **B1** |

**Answer: B**

## Question 3

| | |
|---|---|
| revenue - cost of sales seen, e.g. 50,000 - 30,000 | **M1** |
| £20,000 cao | **A1** |

**Answer: £20,000.**

## Question 4

| | |
|---|---|
| fraction substitution seen, e.g. 20,000/50,000 or 20,000 50,000 | **M1** |
| 40.0% cao | **A1** |

**Answer: Fraction = 20,000/50,000 = 2/5, Percentage = 40.0%.**

## Question 5

| | |
|---|---|
| identifies the key idea, e.g. net profit margin is a percentage of revenue, not a pound amount, so it can fall even if profit in pounds rises | **B1** |
| develops, e.g. if revenue grew by a large enough amount, a smaller percentage of a much bigger revenue figure can still be a bigger pound amount of profit than before | **B1** |
| gives a worked example, e.g. 20% of £100,000 is £20,000, but 15% of a larger revenue of £150,000 is £22,500, which is more pounds of profit even though the percentage margin fell | **B1** |


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