3.12 Calculating Gross Profit Margin and Net Profit Margin: Test Pack

Total Marks

AQA 8132 · Calculators not allowed · about 15 minutes

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 gross profit margin as a percentage.

(Total for Question 1 is 1 mark)

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2 Which one of the following best explains what a higher gross profit margin indicates about a business's pricing and direct cost control?

- ☐ A) The business either charges higher markups or has lower cost of sales per unit
- ☐ B) The business has lower overhead expenses
- ☐ C) The business's profit for the year is higher than its gross profit
- ☐ D) The business has a higher net profit margin than gross profit margin

(Total for Question 2 is 1 mark)

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3 Which one of the following actions would most directly improve a cafe's gross profit margin, if its revenue stays the same?

- ☐ A) Increasing staff wages in the cafe
- ☐ B) Spending more on social media advertising
- ☐ C) Negotiating a lower price with its coffee bean supplier
- ☐ D) Extending the cafe's opening hours without changing its costs or sales

(Total for Question 3 is 1 mark)

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4 From the Bright Bean Cafes extract (gross profit £20,000; expenses £10,000), calculate the profit for the year in pounds. Show your working.

(Total for Question 4 is 2 marks)

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5 Using Bright Bean Cafes figures (gross profit £20,000; revenue £50,000), calculate the gross profit margin as a percentage to one decimal place. Show your working.

(Total for Question 5 is 2 marks)

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6 Compare the gross profit margins of Bright Bean Cafes (40.0%, calculated earlier) and Sunny Slice Bakery (30.0%, calculated above). Explain one possible reason for the difference.

(Total for Question 6 is 3 marks)

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7 The same cafe (gross profit margin 45.0%, revenue £60,000, gross profit £27,000 as calculated above) has a net profit margin of 15.0%. Calculate the cafe's total expenses for the year, in pounds. Show your working.

(Total for Question 7 is 3 marks)

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Mark scheme · 3.12 Calculating Gross Profit Margin and Net Profit Margin: Test Pack

Question 1

(gross profit / revenue) x 100, oe	**B1**

Answer: (Gross profit / Revenue) x 100.

Question 2

A cao	**B1**

Answer: A

Question 3

C cao	**B1**

Answer: C

Question 4

gross profit - expenses seen, e.g. 20,000 - 10,000	**M1**
£10,000 cao	**A1**

Answer: £10,000.

Question 5

formula or substitution seen: (20,000 / 50,000) x 100	**M1**
40.0% cao	**A1**

Answer: 40.0%.

Question 6

identifies the gap, e.g. Bright Bean Cafes has a higher gross profit margin than Sunny Slice Bakery (40.0% compared with 30.0%)	**B1**
develops a reason, e.g. this could be because Bright Bean Cafes' cost of sales is a smaller proportion of its revenue, for example if it charges a bigger mark-up on each coffee than Sunny Slice Bakery charges on each item	**B1**
develops an alternative or linked reason, e.g. Sunny Slice Bakery may have higher ingredient costs relative to its selling prices, such as more expensive ingredients like butter and fruit, which raises its cost of sales and lowers its margin	**B1**

Question 7

profit for the year found, e.g. 0.15 x 60,000 = 9,000	**M1**
27,000 - 9,000 seen (dependent on the previous mark)	**dM1**
£18,000 cao	**A1**

Answer: £18,000.

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