**Activity 2 – Profit and loss quiz**

1. When analysing profit and loss accounts there can only ever be a profit?

True

False

1. Profit and loss accounts give you a?

Historical view of the business

A future budget for the business

1. What is gross profit?

Sales – expenses

Sales + expenses

Sales – cost of sales

1. Which of the following is an example of a direct cost of production?

Wages

Electricity

Purchases of raw materials

1. What is the cost of sales formula?

Cost of sales = opening stock + purchases – closing stock

Cost of sales = closing stock + purchases – opening stock

Cost of sales = Net profit + gross profit

1. Where do you place the gross profit figure on the profit and loss account?

Left hand column

Right hand column

1. Expenses are direct costs of production?

True

False

1. Which of the following is an example of an indirect cost?

Staffs wages

Purchases of raw materials.

1. What is the net profit formula?

Net profit = Gross profit + expenses

Net profit = Gross profit – expenses

Net profit = Gross profit – Cost of sales

1. Gross profit judges the level of?

Stock efficiency.

Expenses efficiency.

1. Net profit judges the overall?

Judgement of business overall.

Judgement of overall expenses.

1. What is the gross profit when cost of sales is £45,000 and sales are 165,000?
2. What is the net profit when gross profit is 134,000 and expenses are 78,0000?

**Activity 2 – Profit and loss quiz – Answers**

1. When analysing profit and loss accounts there can only ever be a profit?

True

**False**

1. Profit and loss accounts give you a?

**Historical view of the business**

A future budget for the business

1. What is gross profit?

Sales – expenses

Sales + expenses

**Sales – cost of sales**

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1. What is the net profit formula?

Net profit = Gross profit + expenses

**Net profit = Gross profit – expenses**

Net profit = Gross profit – Cost of sales

1. Gross profit judges the level of?

**Stock efficiency.**

Expenses efficiency.

1. Net profit judges the overall?

**Judgement of business overall.**

Judgement of overall expenses.

1. What is the gross profit when cost of sales is £45,000 and sales are 165,000?

**120,000**

1. What is the net profit when gross profit is 134,000 and expenses are 78,0000?

**56,000**