**Activity 5 – ratio analysis quiz**

1. What is the main indicator of how a business is preforming?

Profit

Revenue

Sales

1. Gross profit is an indicator of ?

How efficient a company can manage its expenses.

How efficiently a company can manage the making and selling of products.

1. The higher the gross profit margin usually?

The better the business is preforming.

The worse the business is preforming.

1. The gross profit margin formula is calculated by?

Gross profit/ expenses x 100/50

Gross profit/ sales x 100

Gross profit/ sales x 100/1

1. Supermarkets usually trade with a …….. gross profit margin?

Higher

Lower

1. Which industry trades with a high gross profit margin?

Fashion

Jewellery

Supermarkets

1. What should happen to your gross profit margin, year on year?

It should increase steadily.

It should stay the same.

It should decrease steadily.

1. What does the net profit margin show?

How profitable the business can manage its stock.

How profitable the business is overall.

1. Which of the following is an example of the net profit margin formula?

Net profit/ gross profit x 100/1

Net profit/ sales x 100/1

Net profit/ expenses x 100/1

1. The net profit margin varies more than the gross profit margin from industry to industry?

True

False

1. How would a small start-up business have a low net profit margin?

High wages.

High rent.

High advertising costs.

1. Which of the following indicates a good net profit margin?

20%

14%

7%

1. Which of the following indicates a bad net profit margin?

17%

14%

8%

1. Which of the businesses below have a net profit margin of 48%?

Wallmart

Microsoft.

1. When evaluating your margins it is important to compare these with?

Historical data.

Budgeted data.

**Activity 5 – ratio analysis quiz - Answers**

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