

3 H Limited provided the following information for its most recent year of trading.

	\$
Cash sales	10 600
Credit sales	81 900
Purchases (all credit)	77 800
Purchases returns	1 600
Administrative and distribution expenses	14 800
Opening inventory	4 300
Closing inventory	6 500

H Limited calculates a number of different ratios to analyse its results each year.

REQUIRED

(a) Explain the difference between gross margin and mark-up.

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..... [2]

(b) (i) Name **one** cost recorded in an income statement which would **not** be included in the calculation of the expenses to revenue ratio.

..... [1]

(ii) Name **two** costs which might be included in the administrative expenses of a limited company.

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2 [2]

(c) Calculate the following ratios for the year.

(i) gross margin

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..... [3]

(ii) expenses to revenue

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..... [2]

(iii) profit margin

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..... [2]

(d) State how the **three** ratios calculated in (c) are related.

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..... [1]

(e) Suggest **two** reasons why H Limited's gross margin may have been **higher** than the previous year.

1

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2

..... [2]