

Janice's Trading and Profit and Loss Account for the year ended 30 April 2001 was as follows:

	\$	\$
Sales		290 000
less Cost of Sales		
Opening Stock	31 000	
Purchases	<u>169 000</u>	
	200 000	
less Closing Stock	<u>26 000</u>	<u>174 000</u>
		116 000
Expenses		<u>87 000</u>
Net Profit		<u>29 000</u>

At 1 May 2001 Janice reduced all selling prices by 10%, which increased her sales volume for the following year by $7\frac{1}{2}\%$. She also decreased her expenses by $2\frac{1}{2}\%$. Her purchases for the year ended 30 April 2002 were \$170 000 and closing stock was valued at \$21 000.

- (d) Calculate Janice's net profit ratio for the year ended 30 April 2001 and for year ended 30 April 2002. Show all calculations.

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- (e) Discuss the consequences of the changes in Janice's policy.

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