**AS Business Studies**

**Measuring and Increasing Profit**

**Case Study 1**

**Question 1)**

***A T-shirt retailer, T-Design, sells 50,000 units in 1 year at £5 each. Each T-shirt is purchased by the shop for £2.00 each. Annual fixed costs are £80,000.***

***Calculate:***

1. ***Gross Profit***
2. ***Net Profit***

**Question 2)**

***The following year the shop again sells 50,000 units for £5 each but gross profit increases to £160,000 and net profit to £90,000.***

***Calculate the new:***

1. ***Gross Profit Margin***
2. ***Net Profit Margin***

***Question 3)***

***Suggest two reasons for the improvement in the net profit margin.***

**Case Study 2**

**Question 1)**

**Winston is an entrepreneur looking to start up a sports shop. Winston plans to invest £12,000 in the new business. He has budgeted net profit of £3,000 for the first year of operation.**

**Calculate:**

1. **The expected return on capital.**
2. **What does this mean?**
3. **Why should Winston be worried if another similar business is making a return on capital of 20% each year?**

**Extension Question:**

**In year 2 Winston plans to invest a further £11,400 in the sports shop. He has budgeted profit of £3,800 for the second year of operation.**

**Calculate:**

1. **Return on capital employed for year 2**
2. **How does this ROCE figure compare to year 1?**



1. **What factors may have contributed to the change in the ROCE figure?**