

111 **Step 1**

Gross Profit = 25% of Cost

What you do not know should be assumed as 100

Let the cost be Rs 100

Gross Profit will be Rs 25

Revenue will be Rs 125

Cost
GP
Sales

Now we have to find Gross profit from revenue from operations
So we keep Gross profit on RHS and Revenue form operations on LHS

Revenue		Gross Profit	
125	=	25	
1	=	25/125	
#REF!	=	25/125X400000	
	=	80000	

Step 2

Gross Profit Ratio	=	Gross profit	/	Revenue from Operations	X	100
		80000	/	400000	X	100
	=	20%				

112 **Step 1**

Can be solved either by taking total sales as x or by method of 100

Here we are doing assuming total sales to be x

Let the total sales be x

So,
Cash Sales will be 20% of x or 0.2x
Now,

Total Sales	-	Cash Sales	=	Credit Sales	
x	-	0.2x	=	500000	
		0.8x	=	500000	
		x	=	500000 /	0.8
			=	625000	
		Total Sales	=	625000	

Step 2

Cost of Goods Sold	=	Opening Stock	+	Purchases	-	Closing Stock
	=	Change in stock	+	Purchases		

Note : Change in Stock = Opening Stock - Closing Stock

In this question closing stock > Opening Stock
 So Change in stock = -25000

=	-25000	+	400000
=	375000		

Step 3

Gross Profit	=	Net Sales	-	Cost of Goods Sold
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$$= \frac{625000}{375000} = 250000$$

Step 2

$$\begin{aligned} \text{Gross Profit Ratio} &= \frac{\text{Gross profit}}{\text{Revenue from Operations}} \times 100 \\ &= \frac{250000}{625000} \times 100 \\ &= 40\% \end{aligned}$$

113 **Step 1**

If Credit sale	4	Then	Cash Sales	1
If Credit sale	1	Then	Cash Sales	1/4
If Credit sale	1000000	Then	Cash Sales	1/4 X 1000000
			Cash Sales	= 250000

Step 2

$$\begin{aligned} \text{Total Sales} &= \text{Credit sales} + \text{Cash Sales} \\ &= 1000000 + 250000 \\ &= 1250000 \end{aligned}$$

Step 3

$$\begin{aligned} \text{Cost of goods Sold} &= \text{Opening Stock} + \text{Net Purchases} - \text{Closing Stock} + \text{Direct Expenses} \\ \text{or} &\text{Opening Stock} - \text{Closing Stock} + \text{Net Purchases} + \text{Direct Expenses} \end{aligned}$$

or	Decrease in inventory	+	Net Purchases	+	Direct Expenses
	20000	+	580000	+	120000
=	720000				

Step 4

Gross Profit	=	Net Sales	-	Cost of Goods Sold
		1250000	-	720000
	=	530000		

Step 5

Gross Profit Ratio	=	Gross profit	/	Revenue from Operations	X	100
		530000	/	1250000	X	100
	=	42.4%				

114 **Step 1**

Cost of goods Sold	=	Opening Stock	+	Net Purchases	-	Closing Stock	+	Direct Expenses
	or	Opening Stock	-	Closing Stock	+	Net Purchases	+	Direct Expenses
	or	Decrease in inventory	+	Net Purchases	+	Direct Expenses		

122000 + 380000 + 28000

= 530000

Note : Net Purchases = Cash Purchase + Credit Purchase - Return Outwards
 40000 360000 20000

= 380000

Note : Direct Expenses = Carriage Inwards + Wages
 8000 + 20000

= 28000

Step 2

Gross Profit = Revenue from Operations - Cost of Goods Sold

1000000 - 530000

= 470000

Step 3

Gross Profit Ratio = $\frac{\text{Gross profit}}{\text{Revenue from Operations}}$ X 100
 $\frac{470000}{1000000}$ X 100

= 47%

$$\begin{aligned}
 \text{Average Inventory} &= \frac{(\text{Opening Inventory} + \text{Closing Inventory})}{2} \\
 &= \frac{200000 + 120000}{2} \\
 &= 160000
 \end{aligned}$$

Step 2

$$\begin{aligned}
 \text{Inventory Turnover Ratio} &= \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}} \\
 8 &= \frac{x}{160000}
 \end{aligned}$$

$$\begin{aligned}
 \text{Cost of Goods Sold} &= \text{Inventory Turnover Ratio} \times \text{Average Inventory} \\
 &= 8 \times 160000 \\
 &= 1280000
 \end{aligned}$$

Step 3

SP is 25% higher than cost

Now,

Selling price is 25% above cost

So, Gross Profit will be

$$\begin{aligned}
 \text{25\% of cost of goods sold will be} &= \text{Cost of Goods Sold} \times 25\% \\
 &= 1280000 \times 25\% \\
 &= 320000
 \end{aligned}$$

Next,

$$\begin{aligned}
 \text{Sales} &= \text{Cost of Goods Sold} + \text{Gross Profit} \\
 &= 1280000 + 320000 \\
 &= 1600000
 \end{aligned}$$

Step 4

$$\text{Gross Profit Ratio} = \frac{\text{Gross profit}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{320000}{1600000} \times 100 = 20\%$$

116 **Step 1**

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

$$8 = \frac{X}{100000}$$

$$\text{Cost of Goods Sold} = \text{Inventory Turnover Ratio} \times \text{Average Inventory}$$

$$= 8 \times 100000$$

$$= 800000$$

Step 2

Now,
Selling price is 25% above cost

So, Gross Profit will be

$$25\% \text{ of cost of goods sold will be } \begin{array}{l} \text{Cost of Goods Sold} \quad \times \quad 25\% \\ 800000 \quad \times \quad 25\% \end{array}$$

$$= 200000$$

Next,

$$\text{Sales} = \text{Cost of Goods Sold} + \text{Gross Profit}$$

$$= 800000 + 200000$$

$$= 1000000$$

Step 4

Gross Profit Ratio	=	Gross profit	/	Revenue from Operations	X	100
		200000	/	1000000	X	100
	=	20%				

117 **Step 1**

Inventory Turnover Ratio	=	Cost of Goods Sold	/	Average Inventory
8		X	/	320000

Cost of Goods Sold	=	Inventory Turnover Ratio	X	Average Inventory
		8		320000

=	2560000
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Step 2

Trade Receivables Turnover	=	Net Credit Sales	/	Average Trade Receivables
6	=	x		400000

Net Credit Sales	=	Trade Receivables Turnover	X	Average Trade Receivables
x		6		400000

=	2400000
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Step 3

Let the Net Sales	100
Cash Sales @ 25%	25

Credit Sales	75 (Net Sales Less Cash Sales)	2400000
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Now, we want to find total sales and we know credit sales, So total sales is numerator and credit sales is denominator

$$= \frac{100}{75} \times 2400000$$

net sales	100	
cash sales	25	
credit sale	75	2400000

Step 4

Gross Profit	=	Revenue from Operations	-	Cost of Goods Sold
		3200000	-	2560000
	=	640000		

Step 3

Gross Profit Ratio	=	Gross profit	/	Revenue from Operations	X	100
		640000	/	3200000	X	100
	=	20%				



118 (i) **Step 1**

Revenue from Operations	=	Cash Sales	+	Credit Sales	-	Returns
		420000	+	600000	-	20000
	=	1000000				

Step 4

Gross Profit	=	Revenue from Operations	-	Cost of Goods Sold
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$$= \quad 1000000 \quad - \quad 800000$$

$$= \quad 200000$$

Step 3

Gross Profit Ratio	=	Gross profit	/	Revenue from Operations	X	100
		200000	/	1000000	X	100
	=	20%				

118 (ii) **Step 1**

Inventory Turnover Ratio	=	Cost of Goods Sold	/	Average Inventory
6		X	/	160000

Cost of Goods Sold	=	Inventory Turnover Ratio	X	Average Inventory
		6		160000

$$= \quad 960000$$

Now, Selling price is 25% above cost

So, Gross Profit will be

25% of cost of goods sold will be	Cost of Goods Sold	X	25%
	960000	X	25%

$$= \quad 240000$$

Next,

Sales	=	Cost of Goods Sold	+	Gross Profit
		960000	+	240000

$$= 1200000$$

Step 4

Gross Profit Ratio	=	Gross profit	/	Revenue from Operations	X	100
		240000	/	1200000	X	100
	=	20%				

118 (iii) **Step 1**

Average Inventory	=	(Opening Inventory	+	Closing Inventory)	/	2
	=	100000	+	60000	/	2
	=	80000				

Step 2

Inventory Turnover Ratio	=	Cost of Goods Sold	/	Average Inventory
8	X		/	80000

Cost of Goods Sold	=	Inventory Turnover Ratio	X	Average Inventory
		8		80000

$$= 640000$$

Now, Selling price is 25% above cost

So, Gross Profit will be

25% of cost of goods sold will be	Cost of Goods Sold	X	25%
	640000	X	25%

$$= 160000$$

Next,

Sales	=	Cost of Goods Sold	+	Gross Profit
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$$\begin{array}{rcl}
 & 640000 & + & 160000 \\
 & = & & 800000
 \end{array}$$

Step 4

Gross Profit Ratio	=	Gross profit	/	Revenue from Operations	X	100
		160000	/	800000	X	100
	=	20%				

119

- (i) Purchase of Stock in Trade
Both Purchases and Closing Stock will increase by the same amount
So there will be no change in cost of Goods Sold

No Change

- (ii) Purchase Returns
Both Purchases and Closing Stock will decrease by the same amount
So there will be no change in cost of Goods Sold

No Change

- (iii) Cash Sale of Stock in Trade
This can bring change in Gross Profit, but the Gross Profit ratio will remain same
It is due to the fact that every additional sale will be made at the same price So GP ratio will not change

No Change

- (iv) Both Purchases and Closing Stock will decrease by the same amount
So there will be no change in cost of Goods Sold

No Change

However there will be change in Net profit ratio but it is not asked in the question

- (v) Both Purchases and Closing Stock will decrease by the same amount
So there will be no change in cost of Goods Sold

No Change

However there will be change in Net profit ratio but it is not asked in the question

- III 105 (iii) Revenue from operations on sale of stock in trade costing 85000
This can bring change in Gross Profit, but the Gross Profit ratio will remain same
It is due to the fact that every additional sale will be made at the same price So GP ratio will not change

No Change

120 **Step 1**

Operating Cost	=	Cost of Goods Sold	+	Operating Expenses
		300000	+	120000
	=	420000		

Step 2

Revenue from Operations	=	Cash Sales	-	Returns
		520000	-	20000

$$= 500000$$

Step 3

Operating Ratio

$$\begin{aligned} &= \text{Operating Cost} / \text{Revenue from Operations} \times 100 \\ &= 420000 / 500000 \times 100 \\ &= 84\% \end{aligned}$$

