Gross profit margin = Gross profit divided by net sales

The amounts used on this form are taken from Filled-in Form R0.					
Calculation of gross profit margin includes:					
Gross profit (dollar amount) from the income statement for the					
year ended <u>December</u>	<u>31, 2022 </u>				
Net sales from the same income statement.					
Gross profit (dollar amount)	\$	90,000	GP\$		
divided by net sales	\$	230,000	S		
= Gross profit margin (%)		39.1%	GP%	(GP\$ / S)	

Notes:

The gross profit margin is also referred to as the *gross margin, gross margin ratio,* or *gross profit percentage*.

GP\$ If the dollars of gross profit are not reported on the income statement, you can compute the gross profit by deducting the cost of goods sold from net sales:

Net sales	\$ S
minus the cost of goods sold	\$ COGS
= Gross profit dollars	\$ GP\$ (S - COGS)

- **S** Net Sales or Total Revenues will appear at the top of the income statement.
- **GP%** The gross profit margin indicates the percentage of sales dollars that remain after deducting the cost of goods sold, but before deducting the selling, general and administrative expenses.