## Gross profit margin $=$ Gross profit divided by net sales

The amounts used on this form are taken from Filled-in Form RO.
Calculation of gross profit margin includes:
Gross profit (dollar amount) from the income statement for the year ended $\qquad$ December 31, 2022 _.

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.

