

Annual Financial Review

Gross Profit Calculation

Company:
ABC Industries Ltd.
Financial Year: 2023-2024

Summary Table

Description	Amount (USD)
Revenue (Sales)	1,200,000
Less: Cost of Goods Sold (COGS)	720,000
Gross Profit	480,000

Breakdown of Cost of Goods Sold (COGS)

Component	Amount (USD)
Opening Inventory	150,000
Add: Purchases	600,000
Less: Closing Inventory	(30,000)
Total COGS	720,000

Gross Profit Calculation Formula

Gross Profit = Revenue – Cost of Goods Sold
(Revenue = Net sales; COGS includes direct costs related to production/procurement)

- Gross profit provides insight into the company’s core profitability before administrative or selling expenses.
- Accurate classification of COGS is critical for valid gross profit calculation.
- This document should be reviewed and signed by the finance and management teams.
- Proper supporting documentation (sales reports, inventory records, purchase bills) should be maintained for audit purposes.