

# Appendix: Glossary of Profit Margin Terms

## **Profit Margin**

The percentage indicating how much of a company's revenue is retained as profit after expenses are deducted.

## **Gross Profit Margin**

Measures the difference between revenue and cost of goods sold, divided by revenue. Indicates production efficiency.

## **Operating Profit Margin**

Reflects the percentage of revenue left after subtracting operating expenses, such as wages and rent, from gross profit.

## **Net Profit Margin**

Represents the portion of revenue remaining after all operating expenses, interest, and taxes have been paid.

## **EBITDA Margin**

Shows earnings before interest, taxes, depreciation, and amortization as a percentage of total revenue.

## **Contribution Margin**

The amount remaining from sales revenue after variable expenses have been deducted, used to cover fixed costs.

## **Markup**

The amount added to the cost price of goods to cover overhead and profit.

## **Return on Sales (ROS)**

Calculates operating profit as a percentage of total sales, indicating operational efficiency.

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## Important Notes

- Glossary is intended for reference and clarification of key financial terms only.
- Definitions provided are simplified and may vary depending on context or industry standards.
- Consult with a financial professional for application of these terms to specific scenarios.
- This document should be updated periodically as financial standards evolve.