

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.

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.