

# Key Performance Indicators: Annual Profit Metrics

## Overview

This document presents key performance indicators (KPIs) focusing on annual profit metrics for business evaluation and decision-making.

## Annual Profit Metrics

KPI	Description	Formula / Calculation	Purpose
Net Profit	Total profit after all expenses, taxes, and costs are deducted from total revenue.	$\text{Net Profit} = \text{Total Revenue} - \text{Total Expenses}$	Indicates overall profitability of the business.
Gross Profit Margin	Measures the proportion of money left from revenues after deducting the cost of goods sold (COGS).	$\text{Gross Profit Margin} = (\text{Revenue} - \text{COGS}) / \text{Revenue} \times 100\%$	Shows the efficiency of core operations.
Operating Profit Margin	Represents profit from operations as a percentage of sales before interest and tax.	$\text{Operating Profit Margin} = \text{Operating Profit} / \text{Revenue} \times 100\%$	Evaluates operational efficiency.
Return on Assets (ROA)	Shows how profitable a company's assets are in generating revenue.	$\text{ROA} = \text{Net Income} / \text{Average Total Assets} \times 100\%$	Assesses asset efficiency in generating profits.
Return on Equity (ROE)	Measures profitability for owners by revealing how much profit a company generates with shareholders' investments.	$\text{ROE} = \text{Net Income} / \text{Shareholder Equity} \times 100\%$	Measures return on stakeholder investment.

## Important Notes

- KPIs should be aligned with the organization's strategic goals.
- Proper and accurate financial data is critical for meaningful KPI analysis.
- Profit metrics should be reviewed in context with other business performance indicators.
- Frequent monitoring allows for timely adjustments and improved decision-making.
- Comparisons to industry benchmarks help identify strengths and improvement areas.