

Gross Margin - Explained

Calculation

Retail Price - Costs of Sale/Goods = Gross Margin

Example 1 - Product 'A'

Product 'A' Sells for \$100 (Retail Price)

To Manufacture/Develop/Purchase **Product 'A'**

The cost to the business (Cost of Sale) is: \$30

(Gross Margin) Expressed as a Dollar Value: $\$100 - \$30 = \$70$

(Gross Margin) Expressed as a Percentage : $\$70 \div \$100 \times 100 = 70\%$

Retail Price	\$100
Cost of Sale	\$30
Gross Margin (#)	\$70
Gross Margin (%)	70%

Example 2 - Product 'B'

Product 'B' Sells for \$350 (Retail Price)

To Manufacture/Develop/Purchase **Product 'B'**

The cost to the business (Cost of Sale) is: \$140

(Gross Margin) Expressed as a Dollar Value: $\$350 - \$140 = \$210$

(Gross Margin) Expressed as a Percentage : $\$210 \div \$350 \times 100 = 60\%$

Retail Price	\$350
Cost of Sale	\$140
Gross Margin (#)	\$210
Gross Margin (%)	60%