

Gross Profit - Explained

Example 1 - Product 'A'

If the ONLY thing you sell in your business is Product 'A', let's say you sold 50 in total in a month.

GP Expressed as a Percentage	\$3,500 ÷ \$5,000 x 100	= 70%
GROSS PROFIT (GP)	\$5,000 - \$1,500	= \$3,500
COSTS OF SALE (COS)	50 x \$30	= \$1,500
INCOME (in one month)	50 × \$100	= \$5,000

Example 2 - Product 'B'

If the ONLY thing you sell in your business is Product 'B', let's say you sold 75 in total in a month.

GP Expressed as a Percentage	\$15,750 ÷ \$26,250 x 100	= 60%
GROSS PROFIT (GP)	\$26,250 - \$10,500	= \$15,750
COSTS OF SALE (COS)	75 x \$140	= \$10,500
INCOME (in one month)	75 x \$350	= \$26,250

Example 3 - Product 'A' and 'B'

Let's say you sold 50 of Product 'A' and 75 of Product 'B' in total in a single month.

GP Expressed as a Percentage	\$19,250 ÷ \$31,250 x 100	= 61.60%
GROSS PROFIT (GP)	\$31,250 - \$12,000	= \$19,250
COSTS OF SALE (COS)	(50 x \$30) + (75 x \$140)	= \$12,000
INCOME (in one month)	(50 × \$100) + (75 × \$350)	= \$31,250

