

Important Profitability Ratio Formulas PDF



Formulas Examples with Units

List of 11 Important Profitability Ratio Formulas

1) Business Net Profit Margin Formula ↻

Formula

$$NPM = \frac{NI}{S} \cdot 100$$

Example

$$20 = \frac{200000}{1000000} \cdot 100$$

Evaluate Formula ↻

2) Business Operating Profit Margin Formula ↻

Formula

$$OPM = \frac{OI}{S} \cdot 100$$

Example

$$0.2 = \frac{2000}{1000000} \cdot 100$$

Evaluate Formula ↻

3) EBIT Return on Assets Formula ↻

Formula

$$ROA = \frac{EBIT}{ATA}$$

Example

$$2 = \frac{450000}{225000}$$

Evaluate Formula ↻

4) Net Profit Margin Formula ↻

Formula

$$NPM = \frac{NI}{S} \cdot 100$$

Example

$$20 = \frac{200000}{1000000} \cdot 100$$

Evaluate Formula ↻

5) Operating Profit Margin Formula ↻

Formula

$$OPM = \frac{OI}{S} \cdot 100$$

Example

$$0.2 = \frac{2000}{1000000} \cdot 100$$

Evaluate Formula ↻

6) Pre Tax Margin Ratio Formula ↻

Formula

$$PTI = \left(\frac{EBT}{S} \right) \cdot 100$$

Example

$$25 = \left(\frac{250000}{1000000} \right) \cdot 100$$

Evaluate Formula ↻



7) Return on Assets Ratio Formula

Formula

$$ROA = \frac{NI}{TA}$$

Example

$$2 = \frac{200000}{100000}$$

Evaluate Formula 

8) Business Gross Profit Margin Formulas

8.1) Business Gross Profit Margin given Gross Profit and Sales Formula

Formula

$$GPM = \frac{GP}{S} \cdot 100$$

Example

$$0.75 = \frac{7500}{1000000} \cdot 100$$

Evaluate Formula 

8.2) Business Gross Profit Margin given Revenue and Cost of Goods Sold Formula

Formula

$$GPM = \frac{R - COGS}{R}$$

Example

$$0.9487 = \frac{780000 - 40000}{780000}$$

Evaluate Formula 

8.3) Gross Profit Margin given Gross Profit and Sales Formula

Formula

$$GPM = \frac{GP}{S} \cdot 100$$

Example

$$0.75 = \frac{7500}{1000000} \cdot 100$$

Evaluate Formula 

8.4) Gross Profit Margin given Revenue and Cost of Goods Sold Formula

Formula

$$GPM = \frac{R - COGS}{R}$$

Example

$$0.9487 = \frac{780000 - 40000}{780000}$$

Evaluate Formula 



Variables used in list of Profitability Ratio Formulas above

- **ATA** Average Total Assets
- **COGS** Cost of Goods Sold
- **EBIT** Earnings Before Interest and Taxes
- **EBT** Earnings Before Tax
- **GP** Gross Profit
- **GPM** Gross Profit Margin
- **NI** Net Income
- **NPM** Net Profit Margin
- **OI** Operating Income
- **OPM** Operating Profit Margin
- **PTI** Pre-Tax Margin
- **R** Revenue
- **ROA** Return on Assets
- **S** Sales
- **TA** Total Assets



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