



Don't confuse Mark-Up and Gross Profit

Businesses who confuse mark up and gross profits can find themselves in financial strife at the end of the day. Mark-up is the percentage you earn on the COST of an item you sell. Gross profit is the percentage you earn on the SELLING PRICE of the item. Confuse them and you get an over-optimistic view of your business. When you relate earnings to sales, think only of gross profit. In terms of sales, mark up has no meaning. Gross profit tells you what you earn, or retain, on each \$1 of sales to pay your business expenses. Anything left over after that is net profit.

HOW TO CALCULATE MARK-UP

A Brand costs you \$75 a case and brings in \$90 - \$15 above cost. To calculate percentage, divide earnings (\$15) by cost (\$75), multiply the result by 100 and you get the mark-up on cost of 20%.

HOW TO CALCULATE GROSS PROFIT

The same brand costs \$75 and brings in \$90 - \$15 above cost. Divide your earnings (\$15) by your selling price (\$90) and you get a gross profit on selling of 16.7% - or 16.7 cents on each \$1 of sales to pay expenses.

Mark-Up	Gross Profit	Mark-Up	Gross Profit
10% added to cost is	9.09% profit on selling price	37% added to cost is	27.00% profit on selling price
11% added to cost is	9.91% profit on selling price	38% added to cost is	27.53% profit on selling price
12% added to cost is	10.71% profit on selling price	39% added to cost is	28.06% profit on selling price
13% added to cost is	11.51% profit on selling price	40% added to cost is	28.57% profit on selling price
14% added to cost is	12.28% profit on selling price	41% added to cost is	29.08% profit on selling price
15% added to cost is	13.04% profit on selling price	42% added to cost is	29.58% profit on selling price
16% added to cost is	13.79% profit on selling price	43% added to cost is	30.07% profit on selling price
17% added to cost is	14.53% profit on selling price	44% added to cost is	30.56% profit on selling price
18% added to cost is	15.25% profit on selling price	45% added to cost is	31.03% profit on selling price
19% added to cost is	15.97% profit on selling price	50% added to cost is	33.33% profit on selling price
20% added to cost is	16.60% profit on selling price	55% added to cost is	35.48% profit on selling price
21% added to cost is	17.36% profit on selling price	60% added to cost is	37.50% profit on selling price
22% added to cost is	18.03% profit on selling price	65% added to cost is	39.39% profit on selling price
23% added to cost is	18.70% profit on selling price	66% added to cost is	40.03% profit on selling price
24% added to cost is	19.35% profit on selling price	70% added to cost is	41.18% profit on selling price
25% added to cost is	20.00% profit on selling price	75% added to cost is	42.86% profit on selling price
26% added to cost is	20.63% profit on selling price	80% added to cost is	44.50% profit on selling price
27% added to cost is	21.25% profit on selling price	85% added to cost is	45.95% profit on selling price
28% added to cost is	21.88% profit on selling price	90% added to cost is	47.37% profit on selling price
29% added to cost is	22.48% profit on selling price	95% added to cost is	48.72% profit on selling price
30% added to cost is	23.08% profit on selling price	100% added to cost is	50.00% profit on selling price
31% added to cost is	23.66% profit on selling price	150% added to cost is	60.00% profit on selling price
32% added to cost is	24.24% profit on selling price	200% added to cost is	66.67% profit on selling price
33% added to cost is	25.00% profit on selling price	250% added to cost is	71.43% profit on selling price
34% added to cost is	25.37% profit on selling price	300% added to cost is	75.00% profit on selling price
35% added to cost is	25.93% profit on selling price	350% added to cost is	77.78% profit on selling price
36% added to cost is	26.47% profit on selling price	400% added to cost is	80.00% profit on selling price