

## PROFIT RATIOS & ANALYSIS

### Income Statement

### Profit ratios

Sales revenue (Total Revenue)	\$ 39,661,250	
Cost of goods sold expenses	\$ 24,960,750	
GOP	\$ 14,700,500	37.1 %
Selling& admin expenses	\$ 11,466,135	
EBIT	\$ 3,234,365	8.2 %
Interest Expenses	\$ 795,000	
Earnings Before Income Tax	\$ 2,439,365	6.2 %
Income Tax Expenses	\$ 853,778	
NET INCOME	\$ 1,585,587	4.0 %

Profit ratios are calculated from the relevant income divided by the Sales revenue or total revenue.

$$\text{GOP\%} = (\text{GOP} / \text{Sales Revenue}) * 100$$

$$\text{EBIT \%} = (\text{EBIT} / \text{Sales Revenue}) * 100$$

$$\text{NET Income\%} = (\text{Net Income} / \text{Sales Revenue}) * 100$$

Analysis:

If we take for example the Net Income %= 4.00, that means that from each \$ 100.00 sales revenue the real net income is \$4.00 and \$96.00 are the expenses.

The Net Income profit ratios differ from one industry to another. Some businesses do very well with only 1 or 2 percent.

For hotel industry it varies from country to another, due to some of the expenses involved, such as payroll.

E. g. - In UK payroll represents up to 35 %, while in Egypt it is only 5-7 %. According to the above example EBIT% & Net Income % in these 2 countries are very different.