

Management Accounting

Margin and Markup

Gross Profit

How much we 'make' on each unit in dollars.

$$\text{GrossProfit} = \text{Revenue} - \text{CostOfUnit}$$

Gross Margin

GrossProfit as a percentage of Revenue

$$\text{GrossMargin} = \text{GrossProfit} / \text{Revenue}$$

Markup

GrossProfit as a percentage of CostOfUnit

$$\text{Markup} = \text{GrossProfit} / \text{CostOfUnit}$$

Margin vs Markup

Margin is a much more common measure.

Why might that be?

Perhaps the Source Outdoor case will shed some light.