

Marketing Virtual Learning

HS/Accounting 1

Topic: Calculating return on sales ratio May 13, 2020



Objectives:

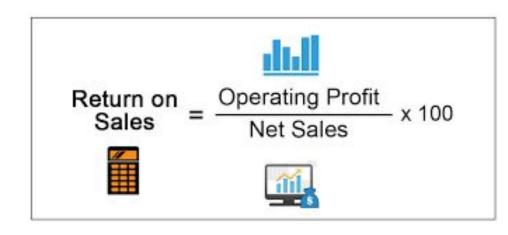
- 1. Understand what the return on sales ratio is.
- Figure the current ratio for a company.

Instructions:

- 1. Read the definition of the ratio on the next slide.
- 2. Watch the video from the beginning at the 6:00 minute point to the end and answer the questions on the last slide.



The **return-on-sales ratio** measures how much of your revenue results in profit for your company rather than going toward paying your company's costs. A higher ratio means that you keep more money in profit. ... Divide the profit by the sales to find the portion of each dollar you keep as profit.





Asset

Video:

https://youtu.b e/KbylzvrS7Us

Classify each of the following as an asset or a liability for the Brady Brothers partnership:

- Liability Brady Brothers owes their attorney \$1,000 in legal fees. Α.
- Brady Brothers owes the bank \$130,000 due in 4 years. B. Liability
- Asset Brady Brothers owns office equipment costing \$50,000.
- Brady Brothers owns inventory costing \$200,000. D.
- Brady Brothers' customers owe it \$75,000. Asset
- Brady Brothers owes its suppliers \$120,000. Liability F.
- Asset
- Brady Brothers checking account has a balance of \$25,000. G.

Calculate the current ratio for Brady Brothers.

Current assets / Current liabilities = Current ratio Current assets = Turned to cash with in 1 year



Questions:

- 1. What is the formula for the return on sales ratio?
- 2. What is the formula?
- 3. How do you figure net income?
- 4. What does the 31.6 ratio mean?
- 5. What is an ideal return on sales ratio?
 - a. Why?

^{**}You can find a google doc with questions for May 11, 12, 13 lessons here**