



Marketing Virtual Learning

HS/Accounting 1

Topic: Calculating return on sales ratio

May 13, 2020



Accounting 1: Return on Sales Ratio

Objectives:

1. Understand what the return on sales ratio is.
2. 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.

Accounting 1: Return on Sales Ratio

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.


$$\text{Return on Sales} = \frac{\text{Operating Profit}}{\text{Net Sales}} \times 100$$




Accounting 1: Return on Sales Ratio

Video:

<https://youtu.be/KbylzvrS7Us>

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

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

Calculate the current ratio for Brady Brothers.

Current assets / Current liabilities = Current ratio

Current assets = Turned to cash with in 1 year



Accounting 1: Return on Sales Ratio

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](#)