HOW TO GET THE MOST VALUE FROM RMA'S ANNUAL STATEMENT STUDIES®:
UNDERSTANDING EXPENSE TO SALES RATIOS

PART 7 IN A SERIES OF 7 GUIDES
EXPENSE TO SALES RATIOS

The following two ratios relate specific expense items to net sales and express this relationship as a percentage. Comparisons are convenient because the item, net sales, is used as a constant. Variations in these ratios are most pronounced between capital- and labor-intensive industries.

1. % DEPRECIATION, DEPLETION, AMORTIZATION/SALES

<table>
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<th>HOW TO CALCULATE:</th>
<th>Divide annual depreciation, amortization, and depletion expenses by net sales and multiply by 100.</th>
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<tbody>
<tr>
<td></td>
<td>Depreciation, Amortization, Depletion Expenses</td>
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<td>Net Sales</td>
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</table>
Divide annual officers’, directors’, owners’ compensation by net sales and multiply by 100. Include total salaries, bonuses, commissions, and other monetary remuneration to all officers, directors, and/or owners of the firm during the year covered by the statement. This includes drawings of partners and proprietors.

**Officers’, Directors’, Owners’ Compensation**

\[
\frac{\text{Officers’, Directors’, Owners’ Compensation}}{\text{Net Sales}}
\]

Only statements showing a positive figure for each of the expense categories shown prior were used. The ratios are arrayed from the lowest to highest positive values.

*For additional Annual Statement Studies Guides in this series, please visit [http://landing.rmahq.org/SSGuides](http://landing.rmahq.org/SSGuides)*

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