

Chart of Difference between Gross Profit and Net Profit

| Basis | Gross Profit | Net Profit |
|---------------------------------------|---|---|
| Meaning | Gross Profit is that part of the revenue which is left after deducting all direct cost/expenses from the Net Sale | Net Profit is that part of the revenue which is left after deducting total cost/expenses from the Net Sale or indirect cost/ expense from the Gross Profit. |
| Timing | Gross Profit is calculated before Net profit | Net Profit is calculated after Gross profit |
| Purpose | it is calculated to know the total profit earned during the particular accounting period. | it is calculated to know the actual profit earned during the particular accounting period. |
| Stage | It is calculated on the first stage of the final account. | It is calculated on the second stage of the final account. |
| Dependency | Gross profit is Independent | Net profit is dependent on Gross Profit. |
| Advantage | Helpful in controlling excess costs. | Helpful in knowing the performance of the company in a financial year. |
| Part | Gross profit is not a part of Net Profit | Net profit is a part of Gross Profit. |
| Treatment in the balance sheet | Gross Profit is not treated directly in the balance sheet. It is transferred to Profit and loss account. | Net Profit is treated directly in the balance sheet by adding or subtracting from the capital. |