

GROSS MARGIN KPI & DEFINITIONS **POCKET GUIDE**

This pocket guide provides a clear, global reference to the key metrics and terms used in modern Gross Margin reporting. It is intended for finance, commercial, operational, and data leaders who need a shared understanding of how gross margin is measured, explained, and discussed across regions and markets. This guide defines measurement concepts, not targets, benchmarks, or promises.

Use this guide to:

- ✔ Understand common Gross Margin terminology
- ✔ Sense-check Gross Margin Reporting narratives and visuals
- ✔ Align language across teams, regions, and content

The definitions are descriptive, not prescriptive.

All terms in this guide assume:

- 1 A consistent, trusted view of financial data
- 2 Point-in-time accuracy, not retrospective adjustment
- 3 Explainable results suitable for finance and leadership audiences
- 4 Neutral language, free from implied guarantees

These principles apply globally.

This guide is not:

- ✘ A performance scorecard
- ✘ A benchmark or target list
- ✘ A regulatory checklist
- ✘ A description of internal systems or architecture

Gross margin is a financial outcome, not a marketing construct.

Clear definitions and consistent language are essential to building trust with finance leaders, auditors, and decision-makers — especially when margin insights are used to guide commercial and operational action.

Billed Revenue

Revenue recognised through invoices raised and posted to the sales ledger for the period.

Full-Portfolio Reconciliation

The practice of reconciling margin across all accounts and transactions, rather than a sampled subset.

Gross Margin (GM)

Recognised revenue minus the cost of goods sold for a defined period, calculated using substantiated data.

Margin Leakage

The erosion of expected margin caused by data gaps, delays, errors, or unresolved issues.

Modelled Revenue

The revenue that would be earned if all settled consumption were correctly billed at the applicable contracted rates.

Period Attribution

The assignment of revenue, cost, and adjustments to the period in which they economically belong.

Point-in-Time (PiT) Margin

A margin position calculated at a specific cutoff, used to attribute subsequent changes to the correct accounts and periods.

Prior Period Correction (PPC)

A change to reported figures for a historic period arising from new billing, settlement, or tariff information identified in a later reporting period.

Reconciliation Accuracy

The degree to which margin results align consistently across settlement, billing, and financial views.

Unbilled Revenue

Revenue associated with delivered consumption that has not yet been invoiced, valued using substantiated data.

Valuation

The application of rates, contracts, and assumptions to calculate revenue and cost for margin reporting.