

What is ROI and How is it Calculated?



ROI

noun

(abbreviation for "return on investment")

1. a performance metric used to calculate the efficiency of an investment

$$\frac{\text{Current Value of Investment} - \text{Cost of Investment}}{\text{Cost of Investment}} \times 100$$

The result from the above formula is the percentage of ROI.

i.e. If an investment made at a cost of \$1000 grew to the current value of \$1200, ROI would be calculated at 20%