**C213 – Accounting for Decision Makers**

“Cheat Sheet”

**Formulas and other information included in Preassessment and Assessment**

**Balance Sheet:**                                    Assets = Liabilities + Owner’s Equity

**Income Statement:**

Sales

**-** Cost of goods sold (COGS)

**=**Gross profit

**-**Administrative expenses

**-**Depreciation

**-**Other expenses

**=**   Earnings before interest and taxes (EBIT)

**-**Interest

**=**   Earnings before taxes (EBT)

**-**Taxes

**=**    Net Income (Profit)

**Statement of Cash flows**

Cash flows from operating activities:

+ Cash flows from investing activities

+ Cash flows from financing activities

Net increase (decrease) in cash

**Common Financial Statement Ratios**

**Debt Ratio:**                                          total liabilities / total assets

**Current Ratio:**                         current assets / current liabilities

**Return on Assets (ROA):**            net income / total assets

**Asset Turnover (AT):**              total sales / total assets

**Return on Equity (ROE):**                     net income / stockholders’ equity

**Return on Sales (profit margin) (ROS):**net income / sales

**Price-Earnings ratio (PE):**                   market value of shares / net income

**DuPont Framework (Identity)**

Return on equity = Return on Sales x Asset turnover x Assets to equity ratio

**Cash Flow Ratios**

**Cash Flow to Net Income:**       cash from operations / net income

**Cash Flow Adequacy:**              cash from operations / cash required for investments

**Cash Times Interest Earned:**   cash from operations before interest and taxes /

                                                             cash paid for interest

**Activity Based Costing (ABC):**

1. Identify overhead cost activities.
2. Analyze individual overhead costs in terms of the cost activities.
3. Identify measureable cost drivers.
4. Assign overhead based on the cost drivers.

**Cost-Volume-Profit (C-V-P):**

**Break Even (BE):**                     Sales – Variable Costs (VC) – Fixed Costs (FC) = -0- Profit

Sales – VC – FC = **Target Income** (for a specific target income level)

**Contribution Margin (CM):**                   Sales – VC

**Contribution Margin Ratio:**                 CM / Sales