

# Accounting Formula Sheet

## 1. Accounting Fundamentals

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- **Basic Accounting Equation:**

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

- **Expanded Accounting Equation:**

$$\text{Assets} = \text{Liabilities} + \text{Capital} + \text{Revenue} - \text{Expenses} - \text{Drawings}$$

## 2. Journal Entries & Ledger

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- **Rule of Debit-Credit:**

- **Personal A/c:** Debit the receiver, Credit the giver
- **Real A/c:** Debit what comes in, Credit what goes out
- **Nominal A/c:** Debit expenses/losses, Credit incomes/gains

## 3. Trial Balance

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$$\text{Total Debit Balances} = \text{Total Credit Balances}$$

## 4. Subsidiary Books

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- **Cash Book (Bank Column):**

$$\text{Balance as per Cash Book} + \text{Uncredited Deposits} - \text{Unpresented Cheques} = \text{Balance as per Pass Book}$$

## 5. Financial Statements

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- **Trading Account:**

$$\text{Gross Profit} = \text{Net Sales} - \text{Cost of Goods Sold (COGS)}$$

$$\text{COGS} = \text{Opening Stock} + \text{Net Purchases} + \text{Direct Expenses} - \text{Closing Stock}$$

- **Profit & Loss Account:**

$$\text{Net Profit} = \text{Gross Profit} + \text{Other Incomes} - \text{Operating Expenses} - \text{Non-Operating Expenses}$$

- **Balance Sheet:**

$$\text{Total Assets} = \text{Total Liabilities} + \text{Capital}$$

## 6. Depreciation

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- **Straight Line Method (SLM):**

$$\text{Annual Depreciation} = \frac{\text{Cost} - \text{Scrap Value}}{\text{Useful Life}}$$

- **Written Down Value (WDV) Method:**

$$\text{Depreciation} = \text{Book Value} \times \text{Rate}\%$$

## 7. Bank Reconciliation

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$$\text{Adjusted Cash Book Balance} = \text{Balance as per Pass Book} \pm \text{Reconciliation Items}$$

## 8. Inventory Valuation

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- **FIFO:** First units purchased are first sold
- **LIFO:** Last units purchased are first sold (*Not allowed as per Ind AS*)

- **Weighted Average Cost:**

$$\text{WAC per unit} = \frac{\text{Total Cost of Goods Available}}{\text{Total Units Available}}$$

## 9. Ratio Analysis

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- **Liquidity Ratios:**

- **Current Ratio:**

$$\frac{\text{Current Assets}}{\text{Current Liabilities}} \quad (\text{Ideal: } 2 : 1)$$

- **Quick Ratio:**

$$\frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}} \quad (\text{Ideal: } 1 : 1)$$

- **Profitability Ratios:**

- **Gross Profit Ratio:**

$$\frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

- **Net Profit Ratio:**

$$\frac{\text{Net Profit}}{\text{Net Sales}} \times 100$$

- **Operating Ratio:**

$$\frac{\text{COGS} + \text{Operating Expenses}}{\text{Net Sales}} \times 100$$

- **Solvency Ratios:**

- **Debt-Equity Ratio:**

$$\frac{\text{Long Term Debts}}{\text{Shareholder's Funds}}$$

## 10. Rectification of Errors

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- **Suspense Account:**

$$\text{Correct Balance} = \text{Wrong Balance} \pm \text{Amount to be Adjusted}$$

## 11. Provisions

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- **Provision for Doubtful Debts:**

$$\text{New Provision} = \text{Sundry Debtors} \times \frac{\text{Rate}\%}{100}$$

- **Provision for Discount on Debtors:**

$$\text{Provision} = (\text{Sundry Debtors} - \text{Further Bad Debts}) \times \frac{\text{Rate}\%}{100}$$

## 12. Single Entry System

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- **Profit/Loss Calculation:**

$$\text{Closing Capital} - \text{Opening Capital} + \text{Drawings} - \text{Additional Capital} = \text{Profit}$$

## 13. Bills of Exchange

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- **Maturity Date Calculation:**

- **Term:** Add days/months to date of bill

- **Grace Period:** +3 days

- **Discounting Formula:**

$$\text{Discount} = \text{Face Value} \times \frac{\text{Rate} \times \text{Time}}{100}$$

## 14. Consignment Accounting

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- **Commission Calculations:**

- **Ordinary Commission:**

$$\text{Sales} \times \frac{\text{Rate}\%}{100}$$

- **Del-Credere Commission:**

$$\text{Total Sales} \times \frac{\text{Rate}\%}{100}$$

- **Stock on Consignment:**

$$\text{Cost Price} + \text{Non-Recurring Expenses} + \text{Consignor's Share of Expenses}$$

## 15. Joint Venture

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$$\text{Profit/Loss Sharing Ratio} = \text{As per Agreement (Usually Capital Ratio)}$$