



Financial Accounting Formulas

Financial Accounting (Concordia University)



Scan to open on Studocu

$\text{Assets} = \text{Liabilities} + \text{Shareholder Equity}$

$\text{Cash} = \text{Liabilities} + \text{Shareholder Equity} - \text{Non-cash assets}$

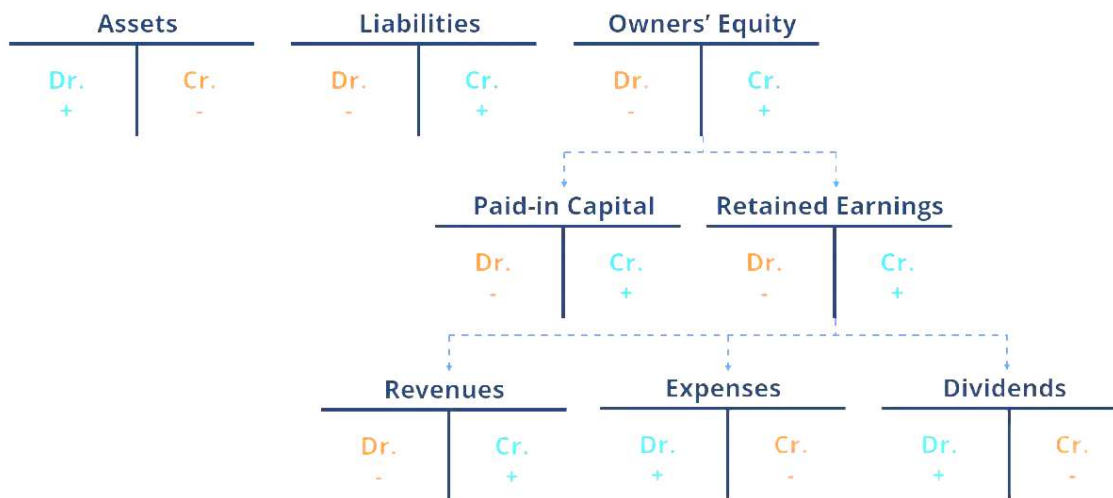
$\text{Shareholder Equity} - \text{Contributed Capital} = \text{Retained Earnings}$

$\text{Profit} - \text{Dividends} = \text{Retained Earnings}$

$\text{Revenues} - \text{Expenses} = \text{Profit}$

$\text{Current Ratio} = \text{Current Asset} / \text{Current Liability}$

Putting All Accounts Together



Corporate Finance Institute

CFI

$\text{Total Asset Turnover Ratio} = \text{Sales or Operating Revenues} / \text{Average Total Assets}$

$\text{Average Total Assets} = \text{Beginning Total Assets} + \text{End Total Assets} / 2$

$\text{Return On Assets} = \text{Net Earnings} + \text{Interest Expenses} / \text{Average Total Assets}$

$\text{Net Earnings} = \text{Sales} - (\text{Costs of Good Sold} + \text{Expenses})$

$\text{Earnings Per Share} = \text{Net Earnings Available to Common Shareholders} / \text{Weighted Average of Common Shares Outstanding During the Period}$

$\text{Net Profit Margin Ratio} = \text{Net Earnings} / \text{Net Sales (or Operating Revenues)}$

$\text{Return On Equity} = \text{Net Earnings} / \text{Average Shareholder Equity}$

$\text{Average Shareholder Equity} = \text{Beginnings Shareholder Equity} + \text{Ending Shareholder Equity} / 2$

$\text{Gross Profit Percentage} = \text{Gross Profit} / \text{Net Sales}$

$\text{Receivables Turnover Ratio} = \text{Net Credit Sales} / \text{Average Net Accounts Receivables}$

$\text{Average Collection Period} = 365 / \text{Receivables Turnover}$

$\text{Beginning Inventory} + \text{Purchases} = \text{Cost of goods available for sale} - \text{Ending Inventory} = \text{COS}$

$\text{Weighted Average Cost Method} = \text{Costs of goods available for sale} / \# \text{ of units available for sale}$

$\text{Inventory Turnover Ratio} = \text{cost of sales} / \text{Average Inventory}$

$\text{Average Days to Sell Inventory} = 365 / \text{Inventory Turnover}$

$\text{Fixed Asset Turnover} = \text{Net Sales Revenue} / \text{Average Net Fixed Assets}$

Straight Line

$\text{Depreciation expense per year} = \text{Cost} - \text{Residual value} \times 1 / \text{Useful life in years}$

Units-of Production

$(\text{Cost} - \text{Residual Value}) / \text{Estimated Total Production} \times \text{Actual Production} = \text{Depreciation Expense}$

Double Declining Balance

$(\text{Cost} - \text{Accumulated Depreciation}) \times 2 / \text{Useful Life} = \text{Depreciation Expense}$

$\text{Impairment Loss} = \text{Carrying Amount} - \text{Recoverable Amount}$

$\text{A/P Turnover Ratio} = \text{Cost of sales} / \text{Average accounts payable}$

$\text{ART Ratio} = \text{Net Credit Sales} / \text{Average Net Accounts Receivable}$

Interest for the period = Principle x Annual Interest Rates x Number of Months/12 months

Working Capital = Current Assets - Current Liabilities

Quick Ratio = Quick Assets/Current Liabilities

Present Value = $1/(1+i)^n \times \text{Amount}$

Annuity PV = Annuity table x amount

Take Home Pay % = Take Home Pay/Gross Pay x100

Interest Expense For The Period = Interest Rate On The Note x Beginning of Period Balance

Present Value Of The Principle (Single Payment) + Present Value Of The Interest Payments (Annuity) = Issue Price Of The Bond... (Principal x PV) + (Interest x PVA)

Coupon Rate = Stated Rate

Reporting Interest Expense of Bonds at Discount or Premium

Step 1: Interest Expense = Unpaid Balance x (Effective Interest Rate x n/12)

Step 2: Interest to be Paid = Face Value x (Coupon Rate x n/12)

Step 3: Interest Expense - Interest to be Paid = amortization

Principal = Bond Price x PV

Interest = (Bond Price x Bond Issue %) xPVA

Principal x Interest = Issue Sale Price

Times Interest Earned Ratio = (Net Earnings + Interest Expense +Income Tax Expense)/Interest Expense

Debt-to-Equity Ratio = Total Liabilities/ Shareholder Equity

Dividend Yield Ratio = Dividend per share/Market price per share

Quality Of Earnings Ratio = Cash Flow From Operating Activities/Net Earnings

Capital Expenditure Ratio = Cash Flow From Operating Activities/Cash Paid for Capital Expenditures

Free Cash Flow = Cash Flow From Operating Activities - Dividends - Capital Expenditures

Loss on sale = Cash received – Carrying amount of equipment sold

Gain on sale = Cash received – Cost of investment

Change in cash = Cash from operating activities + Cash from investing activities + Cash from financing activities

Cash collected from customers = Sales revenue – Increase in accounts receivable

Purchases = Cost of sales – Decrease in merchandise inventory

Payments to suppliers = Purchases + Decrease in accounts payable

Payment for taxes = Income tax expense + Decrease in income taxes payable

Change in Cash = Change in Liabilities + Change in SE + Change in Non Cash Assets

Outstanding Shares x stock dividend = additional shares x share price = additional dividend

Additional dividend + Common Shares price = dividend declared