Financial Accounting Formulas

Financial Accounting (Concordia University)

Assets = Liabilities + Shareholder Equity

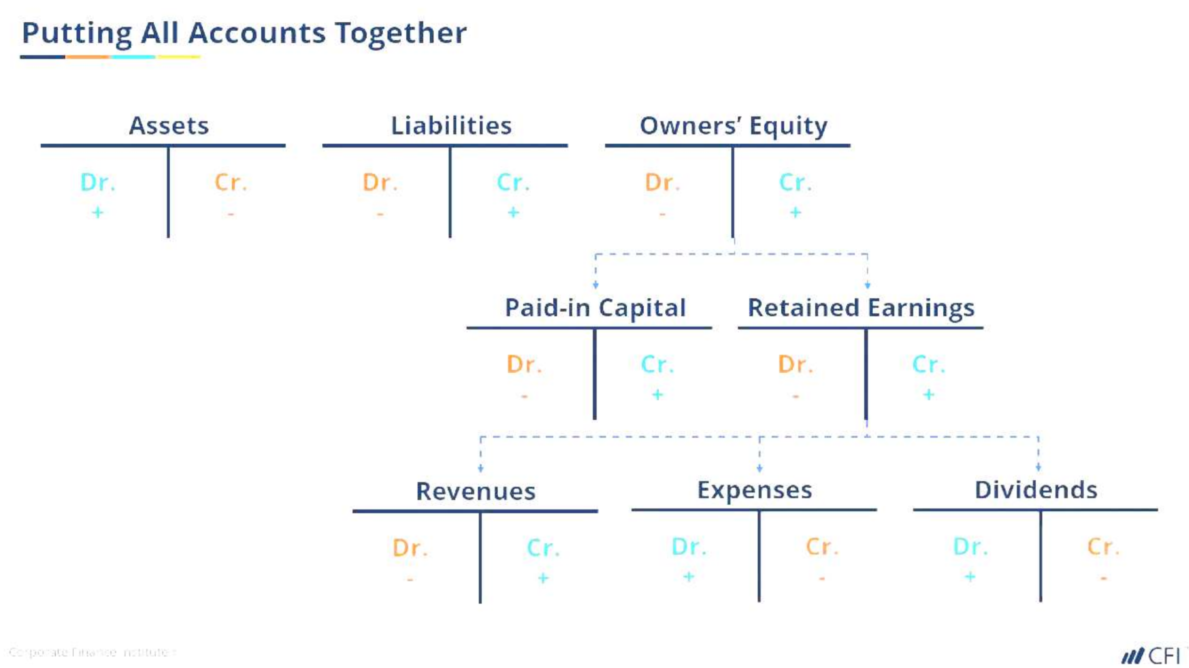
Cash = Liabilities +Shareholder Equity - Non-cash assets

Shareholder Equity - Contributed Capital = Retained Earnings

Profit - Dividends = Retained Earnings

Revenues - Expenses = Profit

Current Ratio = Current Asset/Current Liability



Total Asset Turnover Ratio = Sales or Operating Revenues/Average Total Assets

Average Total Assets = Beginning Total Assets + End Total Assets/2

Return On Assets = Net Earnings + Interest Expenses/Average Total Assets

Net Earnings = Sales - (Costs of Good Sold + Expenses)

Earnings Per Share = Net Earnings Available to Common Shareholders/Weighted Average of Common Shares Outstanding During the Period

Net Profit Margin Ratio = Net Earnings/Net Sales (or Operating Revenues)

Return On Equity = Net Earnings/Average Shareholder Equity

Average Shareholder Equity = Beginnings Shareholder Equity + Ending Shareholder Equity/2

Gross Profit Percentage = Gross Profit/Net Sales

Receivables Turnover Ratio = Net Credit Sales/Average Net Accounts Receivables

Average Collection Period = 365/Receivables Turnover

Beginning Inventory + Purchases = Cost of goods available for sale - Ending Inventory = COS

Weighted Average Cost Method = Costs of goods available for sale/# of units available for sale

Inventory Turnover Ratio = cost of sales/Average Inventory

Average Days to Sell Inventory = 365/Inventory Turnover

Fixed Asset Turnover = Net Sales Revenue/Average Net Fixed Assets

Straight Line

Depreciation expense per year = Cost - Residual value x 1/Useful life in years

Units-of Production

(Cost - Residual Value)/Estimated Total Production x Actual Production = Depreciation Expense

Double Declining Balance

(Cost- Accumulated Depreciation) x 2/Useful Life = Depreciation Expense

Impairment Loss = Carrying Amount - Recoverable Amount

A/P Turnover Ratio = Cost of sales/Average accounts payable

ART Ratio = Net Credit Sales/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 x 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