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Important Formulas of Business

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List of 18 Important Formulas of Business

Important Formulas of Business ⤢

1) Acid Test Ratio ⤢

Open Calculator ⤢

$$\text{ATR} = \frac{C + AR + STI}{CL}$$

$$2 = \frac{1000 + 2000 + 3000}{3000}$$

2) Break-Even Point ⤢

Open Calculator ⤢

$$\text{BEP} = \frac{FC}{CM}$$

$$50 = \frac{2000}{40}$$

3) Contribution Margin per Unit ⤢

Open Calculator ⤢

$$\text{CM} = P - V$$

$$20 = 100 - 80$$

4) Days in Inventory ⤢

Open Calculator ⤢

$$\text{Days} = \frac{365}{IT}$$

$$36.5 = \frac{365}{10}$$

5) Debt Coverage Ratio ⎘

$$fx \quad DSCR = \frac{NOI}{DS}$$

$$ex \quad 2.857143 = \frac{40000}{14000}$$

6) Diluted Earnings per Share ⎘

$$fx \quad \text{Diluted EPS} = \frac{NI}{WASO + CDS}$$

$$ex \quad 8.677903 = \frac{200000}{47.042 + 23000}$$

7) Dividends Per Share ⎘

$$fx \quad DPS = \frac{TD}{S}$$

$$ex \quad 750 = \frac{15000}{20}$$

8) Economic Order Quantity ⎘

$$fx \quad EOQ = \left(\frac{2 \cdot Cf \cdot \text{Demand}}{C_h} \right) \cdot \left(\frac{1}{2} \right)$$

$$ex \quad 285714.3 = \left(\frac{2 \cdot 500 \cdot 2000}{3.5} \right) \cdot \left(\frac{1}{2} \right)$$

9) Estimate at completion ⚙

fx $\mathrm{EAC} = \mathrm{AC} + \mathrm{ETC}$

ex $652050 = 650000 + 2050$

10) Estimated Earnings ⚙

fx $\mathrm{EE} = \mathrm{FS} - \mathrm{FE}$

ex $240000 = 290000 - 50000$

11) Operating Expense Ratio ⚙

fx $\mathrm{OER} = \left(\dfrac{\mathrm{OPEX}}{\mathrm{EGI}} \right) \cdot 100$

ex $22.06193 = \left(\dfrac{1254}{5684} \right) \cdot 100$

12) Percentage off ⚙

fx $\% \ \mathrm{Off} = 1 - \left(\dfrac{\mathrm{SP}}{\mathrm{OP}} \right)$

ex $0.733333 = 1 - \left(\dfrac{120}{450} \right)$

13) Preferred Stock ⤴

fx $$VP = \frac{D}{\text{Discount}\%}$$

Open Calculator ⤴

ex $$0.416667 = \frac{25}{60}$$

14) Return on Capital Employed ⤴

fx $$ROCE = \left(\frac{EBIT}{TA - CL}\right) \cdot 100$$

Open Calculator ⤴

ex $$463.9175 = \left(\frac{450000}{100000 - 3000}\right) \cdot 100$$

15) Solvency Ratio ⤴

fx $$SR = \frac{SF \cdot 100}{TA}$$

Open Calculator ⤴

ex $$50 = \frac{50000 \cdot 100}{100000}$$

16) Target Inventory Investment ⤴

fx $$TI\ Invt = \frac{COGS}{TI_{\text{Turnover}}}$$

Open Calculator ⤴

ex $$10000 = \frac{200000}{20}$$

17) Total Inventory Cost ⤴

fx $$\text{TIC} = C_h \cdot \left(\frac{Q}{2} \right) + Cf \cdot \left(\frac{\text{Demand}}{Q} \right)$$

Open Calculator ⤴

ex $$20087.5 = 3.5 \cdot \left(\frac{50}{2} \right) + 500 \cdot \left(\frac{2000}{50} \right)$$

18) Weighted Average Cost of Capital ⤴

fx

Open Calculator ⤴

$$\text{WACC} = \left(\left(\frac{E}{V_{\text{Firm}}} \right) \cdot \text{Re} \right) + \left(\left(\left(\frac{MV}{V_{\text{Firm}}} \right) \cdot \text{Rd} \right) \cdot (1 - \text{Tc}) \right)$$

ex $$-160 = \left(\left(\frac{500}{500000} \right) \cdot 200000 \right) + \left(\left(\left(\frac{2000}{500000} \right) \cdot 10000 \right) \cdot (1 - 10) \right)$$

Variables Used

- **% Off** Percentage Off
- **AC** Actual Cost
- **AR** Accounts Receivable
- **ATR** Acid Test Ratio
- **BEP** Break Even Point
- **C** Cash
- **C$_h$** Carrying cost per unit per year
- **CDS** Other Convertible Securities
- **Cf** Fixed cost per order
- **CL** Current Liabilities
- **CM** Contribution Margin per Unit
- **COGS** Projected Annual Cost of Goods Sold from Stock Sales
- **D** Dividend
- **Days** Days in Inventory
- **Demand** Demand in Units Per Year
- **Diluted EPS** Diluted Earnings per Share
- **Discount%** Discount Percentage
- **DPS** Dividends Per Share
- **DS** Debt Service
- **DSCR** Debt Coverage Ratio
- **E** Market value of the firm's equity
- **EAC** Estimate at Completion
- **EBIT** Earnings Before Interest and Taxes
- **EE** Estimated Earnings
- **EGI** Gross Operating Income
- **EOQ** Economic Order Quantity

- **ETC** Bottom up ETC
- **FC** Fixed Costs
- **FE** Forecasted Expense
- **FS** Forecasted Sales
- **IT** Inventory Turnover
- **MV** Market Value of the Firm's Debt
- **NI** Net Income
- **NOI** Net Operating Income
- **OER** Operating Expense Ratio
- **OP** Original Price
- **OPEX** Operating Expense
- **P** Sales Price per Unit
- **Q** Quantity of Each Order
- **Rd** Cost of Debt
- **Re** Cost of Equity
- **ROCE** Return on capital employed
- **S** Number of Shares
- **SF** Shareholders Fund
- **SP** Selling Price
- **SR** Solvency Ratio
- **STI** Short Term Investments
- **TA** Total Assets
- **Tc** Corporate Tax Rate
- **TD** Total Dividends
- **TI Invt** Target Inventory Investment
- **TI$_{Turnover}$** Target Inventory Turnover
- **TIC** Total Inventory Cost
- **V** Variable Cost per Unit

- **V$_{Firm}$** Firm Value
- **VP** Preferred Stock
- **WACC** Weighted average cost of capital
- **WASO** Average Shares

Constants, Functions, Measurements used

Check other formula lists

- **Banking Formulas** ⎋
- **Equity Formulas** ⎋
- **Financial Institutions Management Formulas** ⎋
- **Fixed Income Securities Formulas** ⎋
- **Investment Banking Formulas** ⎋
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