



Important Formulas of Business

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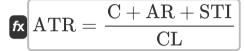




List of 18 Important Formulas of Business

Important Formulas of Business

1) Acid Test Ratio



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2) Break-Even Point



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

Open Calculator

fx
$$CM = P - V$$

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$$\mathbf{ex} \ 20 = 100 - 80$$

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

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$$\boxed{\mathbf{ex}} 36.5 = \frac{365}{10}$$







5) Debt Coverage Ratio

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

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

6) Diluted Earnings per Share

$$ext{Diluted EPS} = rac{ ext{NI}}{ ext{WASO} + ext{CDS}}$$

7) Dividends Per Share



8) Economic Order Quantity

$$extbf{EOQ} = \left(rac{2\cdot ext{Cf}\cdot ext{Demand}}{ ext{C}_{ ext{h}}}
ight)\cdot \left(rac{1}{2}
ight)$$

$$oxed{ex} 285714.3 = \left(rac{2\cdot 500\cdot 2000}{3.5}
ight)\cdot \left(rac{1}{2}
ight)$$





9) Estimate at completion

EAC = AC + ETC

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10) Estimated Earnings

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Open Calculator

Open Calculator

$$fx$$
 $EE = FS - FE$

$$\boxed{ 240000 = 290000 - 50000 }$$

11) Operating Expense Ratio

 $ext{OER} = \left(rac{ ext{OPEX}}{ ext{EGI}}
ight) \cdot 100$

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

12) Percentage off

 $\% ext{ Off} = 1 - \left(rac{ ext{SP}}{ ext{OP}}
ight)$

$$\boxed{0.733333 = 1 - \left(\frac{120}{450}\right)}$$



13) Preferred Stock

 $extbf{VP} = rac{ ext{D}}{ ext{Discount}\%}$

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 $oxed{ex} 0.416667 = rac{25}{60}$

14) Return on Capital Employed

 $extbf{ROCE} = \left(rac{ ext{EBIT}}{ ext{TA} - ext{CL}}
ight) \cdot 100$

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15) Solvency Ratio

 $\mathrm{SR}=rac{\mathrm{SF}\cdot 100}{\mathrm{TA}}$ ex $50=rac{50000\cdot 100}{100000}$

Open Calculator

Open Calculator

16) Target Inventory Investment

$$ilde{ extbf{X}} ext{TI Invt} = rac{ ext{COGS}}{ ext{TI}_{ ext{Turnover}}}$$

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

17) Total Inventory Cost

 $ext{TIC} = ext{C}_{ ext{h}} \cdot \left(rac{ ext{Q}}{2}
ight) + ext{Cf} \cdot \left(rac{ ext{Demand}}{\Omega}
ight)$

Open Calculator

Open Calculator

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

18) Weighted Average Cost of Capital

$$ext{WACC} = \left(\left(rac{ ext{E}}{ ext{V}_{ ext{Firm}}}
ight) \cdot ext{Re}
ight) + \left(\left(\left(rac{ ext{MV}}{ ext{V}_{ ext{Firm}}}
ight) \cdot ext{Rd}
ight) \cdot (1 - ext{Tc})
ight)$$

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

fx



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





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