

The list below gives formulae for use in this qualification. Formulae will not be provided in the examinations for Paper 1 or Paper 2.

Total costs

TC (total cost) = TFC (total fixed costs) + TVC (total variable costs)

Revenue

Revenue = price × quantity

Break even

Break even point in units = $\frac{\text{fixed cost}}{(\text{sales price} - \text{variable cost})}$

Break even point in costs / revenue = break even point in units × sales price

Margin of safety

Margin of safety = actual or budgeted sales – break even sales

Interest (on loans)

Interest (on loans) in % = $\frac{\text{total repayment} - \text{borrowed amount}}{\text{borrowed amount}} \times 100$

Net cash-flow

Net cash-flow = cash inflows – cash outflows in a given period

Opening and closing balances

Opening balance = closing balance of the previous period

Closing balance = opening balance + net cash-flow

Gross profit

Gross profit = sales revenue – cost of sales

Gross profit margin

Gross profit margin (%) = $\frac{\text{gross profit}}{\text{sales revenue}} \times 100$

Net profit

Net profit = gross profit – other operating expenses and interest

Net profit margin

Net profit margin (%) = $\frac{\text{net profit}}{\text{sales revenue}} \times 100$

Average rate of return

Average rate of return (%) = $\frac{\text{average annual profit (total profit / no. of years)}}{\text{cost of investment}} \times 100$