

# Important Debt Management Formulas PDF



## Formulas Examples with Units

### List of 16 Important Debt Management Formulas

#### 1) Annual Debt Service Formula

Formula

$$ADS = \text{Pri.} + \text{Int.}$$

Example

$$803200 = 800000 + 3200$$

Evaluate Formula 

#### 2) Average Payment Period Formula

Formula

$$APP = \frac{AAP}{\frac{CP}{\text{No.days}}}$$

Example

$$17.6875 = \frac{28300}{\frac{48000}{30}}$$

Evaluate Formula 

#### 3) Breakeven Occupancy Formula

Formula

$$BOR = \frac{TOE + ADS}{PGI}$$

Example

$$14.6241 = \frac{45000 + 803200}{58000}$$

Evaluate Formula 

#### 4) Debt Service Coverage Ratio Formula

Formula

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

Example

$$1.8333 = \frac{550000}{300000}$$

Evaluate Formula 

#### 5) Debtor Days Formula

Formula

$$DD = \left( \frac{AR}{CS} \right) \cdot 365$$

Example

$$677.8571 = \left( \frac{65000}{35000} \right) \cdot 365$$

Evaluate Formula 

#### 6) Home Equity Line of Credit Formula

Formula

$$MLC = MLVR \cdot AFVE - OMB$$

Example

$$14940 = 6.50 \cdot 3000 - 4560$$

Evaluate Formula 



## 7) Levered Free Cash Flow Formula

Formula

$$LFCF = NI + D\&A - \Delta NWC - CAPEX - NB$$

Evaluate Formula 

Example

$$308000 = 360000 + 42000 - 70000 - 10000 - 14000$$

## 8) Loan Constant Formula

Formula

$$LC = \frac{ADS}{TLA}$$

Example

$$3.2128 = \frac{803200}{250000}$$

Evaluate Formula 

## 9) Mortgage Constant Formula

Formula

$$MC = \frac{ADS}{TLA}$$

Example

$$3.2128 = \frac{803200}{250000}$$

Evaluate Formula 

## 10) Mortgage Refinance Breakeven Point Formula

Formula

$$MRBP = \frac{TLC}{MS}$$

Example

$$130 = \frac{6500000}{50000}$$

Evaluate Formula 

## 11) Net Debt Formula

Formula

$$ND = GD - CCE$$

Example

$$55000 = 140000 - 85000$$

Evaluate Formula 

## 12) Overhead Rate Formula

Formula

$$OR = \frac{OC}{Rev}$$

Example

$$5.8333 = \frac{350000}{60000}$$

Evaluate Formula 

## 13) Paid-in-Kind Interest Formula

Formula

$$PIK = PIK\% \cdot BPIKdb$$

Example

$$10400 = 0.40 \cdot 26000$$

Evaluate Formula 

## 14) Present Value of Outstanding Balance Formula

Formula

$$PVOB = EP \cdot \left( 1 - \frac{(1 + R)^{-n}}{R} \right)$$

Example

$$5242.1057 = 7505 \cdot \left( 1 - \frac{(1 + 0.56)^{-4}}{0.56} \right)$$

Evaluate Formula 



## 15) Senior Debt Ratio Formula

Formula

$$\text{SDR} = \frac{\text{SD}}{\text{EBITDA}}$$

Example

$$2.375 = \frac{950000}{400000}$$

Evaluate Formula 

## 16) Solvency Risk Ratio Formula

Formula

$$\text{SRR} = \frac{\text{TA}}{\text{TLTD}}$$

Example

$$1.8947 = \frac{720000}{380000}$$

Evaluate Formula 



## Variables used in list of Debt Management Formulas above

- **AAP** Average Accounts Payable
- **AD** Annual Debt
- **ADS** Annual Debt Service
- **AFVE** Appraised Fair Value of Equity
- **APP** Average Payment Period
- **AR** Accounts Receivable
- **BOR** Breakeven Occupancy Ratio
- **BPIKdb** Beginning PIK Debt Balance
- **CAPEX** Capital Expenditure
- **CCE** Cash and Cash Equivalents
- **CP** Credit Purchases
- **CS** Credit Sales
- **D&A** Depreciation and Amortization
- **DD** Debtor Days
- **DSCR** Debt Service Coverage Ratio
- **EBITDA** EBIT and Depreciation and Amortization
- **EP** Existing Payment
- **GD** Gross Debt
- **Int.** Interest Amount
- **LC** Loan Constant
- **LFCF** Levered Free Cash Flow
- **MC** Mortgage Constant
- **MLC** Maximum Line of Credit
- **MLVR** Maximum Loan to Value Ratio
- **MRBP** Mortgage Refinance Breakeven Point
- **MS** Monthly Savings
- **n** Frequency of Payments
- **NB** Net Borrowing
- **ND** Net Debt
- **NI** Net Income
- **No.days** Number of Days in Period
- **NOI** Net Operating Income
- **OC** Overhead Costs
- **OMB** Outstanding Mortgage Balance
- **OR** Overhead Rate
- **PGI** Potential Gross Income
- **PIK** Paid-in-Kind Interest



- **PIK%** Paid-in-Kind Interest Rate
- **Pri.** Principal
- **PVOB** Present Value of Outstanding Balance
- **R** Rate of Interest per Annum
- **Rev** Revenue
- **SD** Senior Debt
- **SDR** Senior Debt Ratio
- **SRR** Solvency Risk Ratio
- **TA** Total Assets
- **TLA** Total Loan Amount
- **TLC** Total Loan Costs
- **TLTD** Total Long Term Debt
- **TOE** Total Operating Expenses
- **$\Delta$ NWC** Change in Net Working Capital



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