

Important Basics of Financial Accounting Formulas PDF



Formulas Examples with Units

List of 22 Important Basics of Financial Accounting Formulas

1) Annual Equivalent Cost Formula ↻

Formula

$$AEC = \frac{ASP \cdot DR}{1 - (1 + DR)^{-n}}$$

Example

$$5916.9811 = \frac{10000 \cdot 0.12}{1 - (1 + 0.12)^{-2}}$$

Evaluate Formula ↻

2) Annual Percentage Yield Formula ↻

Formula

$$APY = \left(1 + \left(\frac{r}{n_c}\right)\right)^{n_c} - 1$$

Example

$$56.665 = \left(1 + \left(\frac{5}{10}\right)\right)^{10} - 1$$

Evaluate Formula ↻

3) Depletion Charge per Unit Formula ↻

Formula

$$DC = \frac{OC - RV}{n_{\text{Depletion}}}$$

Example

$$291.55 = \frac{3500 - 1.4}{12}$$

Evaluate Formula ↻

4) Depletion Expense Formula ↻

Formula

$$DE = DC \cdot UC$$

Example

$$5800 = 290 \cdot 20$$

Evaluate Formula ↻

5) Discount Factor Formula ↻

Formula

$$DF = \frac{1}{1 \cdot (1 + DR)^n}$$

Example

$$0.7972 = \frac{1}{1 \cdot (1 + 0.12)^2}$$

Evaluate Formula ↻

6) Discount given Discount Rate and List Price Formula ↻

Formula

$$\text{Disc} = DR \cdot LP$$

Example

$$6.18 = 0.12 \cdot 51.5$$

Evaluate Formula ↻



7) Discount given List Price and Price Paid Formula ↻

Formula

$$\text{Disc} = \text{LP} - \text{SP}$$

Example

$$1.5 = 51.5 - 50$$

Evaluate Formula ↻

8) Discount Lost Formula ↻

Formula

$$\text{DL} = \left(\frac{\text{D}\%}{100 - \text{D}\%} \right) \cdot \left(\frac{365}{\text{F} - \text{L}} \right)$$

Example with Units

$$1.1\text{E}-5 = \left(\frac{3}{100 - 3} \right) \cdot \left(\frac{365}{24_d - 12_d} \right)$$

Evaluate Formula ↻

9) Discount Percentage Formula ↻

Formula

$$\text{D}\% = \left(\frac{\text{LP} - \text{SP}}{\text{SP}} \right) \cdot 100$$

Example

$$3 = \left(\frac{51.5 - 50}{50} \right) \cdot 100$$

Evaluate Formula ↻

10) DuPont Analysis Formula ↻

Formula

$$\text{ROE} = \left(\frac{\text{NI}}{\text{R}} \right) \cdot \left(\frac{\text{R}}{\text{ATA}} \right) \cdot \left(\frac{\text{ATA}}{\text{ATE}} \right)$$

Example

$$100 = \left(\frac{200000}{10000} \right) \cdot \left(\frac{10000}{1000} \right) \cdot \left(\frac{1000}{2000} \right)$$

Evaluate Formula ↻

11) EBIT Formula ↻

Formula

$$\text{EBIT} = \text{R} - \text{OPEX}$$

Example

$$8746 = 10000 - 1254$$

Evaluate Formula ↻

12) EBITDA Formula ↻

Formula

$$\text{EBITDA} = \text{EBIT} + \text{D} + \text{A}_m$$

Example

$$420626 = 8746 + 11880 + 400000$$

Evaluate Formula ↻

13) Effective Yield Formula ↻

Formula

$$i = 1 + \left(\frac{\text{NR}}{\text{nPYr}} \right)^{\text{nPYr}} - 1$$

Example

$$298.9039 = 1 + \left(\frac{19}{3.2} \right)^{3.2} - 1$$

Evaluate Formula ↻



14) Internal Rate of Return Formula

Formula

Evaluate Formula 

$$NPV = \sum \left(x, 0, n, \left(\left(\frac{CF_n}{(1 + IRR)^x} \right) \right) \right) - IIT$$

Example

$$5082.8402 = \sum \left(x, 0, 2, \left(\left(\frac{3000}{(1 + 0.30)^x} \right) \right) \right) - 2000$$

15) List Price Formula

Formula

Example

Evaluate Formula 

$$LP = SP + Disc$$

$$51.5 = 50 + 1.5$$

16) Long term Debt to Equity ratio Formula

Formula

Example

Evaluate Formula 

$$LTDER = \frac{LTD}{SF}$$

$$20 = \frac{1000000}{50000}$$

17) Net Present Value Formula

Formula

Evaluate Formula 

$$NPV = \sum \left(x, 1, t, \left(\frac{CF}{(1 + IRR)^x} \right) \right)$$

Example with Units

$$5085.1161 = \sum \left(x, 1, 3 \text{ Year}, \left(\frac{2800}{(1 + 0.30)^x} \right) \right)$$

18) Operating Cash Flow Formula

Formula

Example

Evaluate Formula 

$$OCF = EBIT + D - T$$

$$20608 = 8746 + 11880 - 18$$

19) Residual Value Formula

Formula

Example with Units

Evaluate Formula 

$$RV = \frac{C - SR}{LS}$$

$$1.4E-6 = \frac{450 - 10}{10 \text{ Year}}$$



20) Shareholders' Equity given Share Capital, Retained Earnings and Treasury Shares Formula



Formula

$$TSE = SC + RE - TS$$

Example

$$37364 = 38000 + 36 - 672$$

Evaluate Formula

21) Shareholders' Equity given Total Assets and Liabilities Formula

Formula

$$TSE = TA - TL$$

Example

$$37364 = 82374 - 45010$$

Evaluate Formula

22) Value of Stock Formula

Formula

$$s = \frac{EDPS}{CCE - DGR}$$

Example

$$40 = \frac{200}{25 - 20}$$

Evaluate Formula



Variables used in list of Basics of Financial Accounting Formulas above

- **A_m** Amortization
- **AEC** Annual Equivalent Cost
- **APY** Annual Percentage Yield
- **ASP** Asset Price
- **ATA** Average Total Assets
- **ATE** Average Total Equity
- **C** Cost of Fixed Asset
- **CCE** Cost of Capital Equity
- **CF** Cash Flow
- **CF_n** Cashflow at End Period
- **D** Depreciation
- **D%** Discount Percentage
- **DC** Depletion Charge per Unit
- **DE** Depletion Expense
- **DF** Discount Factor
- **DGR** Dividend Growth Rate
- **Disc** Discount
- **DL** Discount Lost
- **DR** Discount Rate
- **EBIT** Earnings Before Interest and Taxes
- **EBITDA** EBITDA
- **EDPS** Expected Dividend Per Share
- **F** Final Payment Date (*Day*)
- **i** Effective Yield
- **IIT** Initial Investment
- **IRR** Internal Rate of Return
- **L** Last Discount Date (*Day*)
- **LP** List Price
- **LS** Lifespan (*Year*)
- **LTD** Long Term Debt
- **LTDER** Long Term Debt to Equity Ratio
- **n** Number of Periods
- **n_c** Compounding Periods
- **n_{Depletion}** Total Number of Units Depletion

Constants, Functions, Measurements used in list of Basics of Financial Accounting Formulas above



- **Functions:** **sum**, sum(i, from, to, expr)
Summation or sigma (Σ) notation is a method used to write out a long sum in a concise way.
- **Measurement:** **Time** in Day (d), Year (Year)
Time Unit Conversion ↻









- **n_{PYr}** Number of Payments Per Year
- **NI** Net Income
- **NPV** Net Present Value
- **NR** Nominal Rate
- **OC** Original Cost
- **OCF** Operating Cash Flow
- **OPEX** Operating Expense
- **r** Stated annual interest rate
- **R** Revenue
- **RE** Retained Earnings
- **ROE** Return on Equity
- **RV** Residual Value
- **s** Value of Stock
- **SC** Share Capital
- **SF** Shareholders Fund
- **SP** Price Paid
- **SR** Scrap Rate
- **t** Time Period (*Year*)
- **T** Taxes
- **TA** Total Assets
- **TL** Total Liabilities
- **TS** Treasury Shares
- **TSE** Total Shareholders' Equity
- **UC** Units Consumed



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