

# Important Formulas of Business PDF



## Formulas Examples with Units

### List of 18 Important Formulas of Business

#### 1) Acid Test Ratio Formula

Formula

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

Example

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

Evaluate Formula 

#### 2) Break-Even Point Formula

Formula

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

Example

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

Evaluate Formula 

#### 3) Contribution Margin per Unit Formula

Formula

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

Example

$$20 = 100 - 80$$

Evaluate Formula 

#### 4) Days in Inventory Formula

Formula

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

Example

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

Evaluate Formula 

#### 5) Debt Coverage Ratio Formula

Formula

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

Example

$$2.8571 = \frac{40000}{14000}$$

Evaluate Formula 

#### 6) Diluted Earnings per Share Formula

Formula

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

Example

$$8.6779 = \frac{200000}{47.042 + 23000}$$

Evaluate Formula 



## 7) Dividends Per Share Formula

Formula

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

Example

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

Evaluate Formula 

## 8) Economic Order Quantity Formula

Formula

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

Example

$$285714.2857 = \left( \frac{2 \cdot 500 \cdot 2000}{3.5} \right) \cdot \left( \frac{1}{2} \right)$$

Evaluate Formula 

## 9) Estimate at completion Formula

Formula

$$EAC = AC + ETC$$

Example

$$652050 = 650000 + 2050$$

Evaluate Formula 

## 10) Estimated Earnings Formula

Formula

$$EE = FS - FE$$

Example

$$240000 = 290000 - 50000$$

Evaluate Formula 

## 11) Operating Expense Ratio Formula

Formula

$$OER = \left( \frac{OPEX}{EGI} \right) \cdot 100$$

Example

$$22.0619 = \left( \frac{1254}{5684} \right) \cdot 100$$

Evaluate Formula 

## 12) Percentage off Formula

Formula

$$\% \text{ Off} = 1 - \left( \frac{SP}{OP} \right)$$

Example

$$0.7333 = 1 - \left( \frac{120}{450} \right)$$

Evaluate Formula 

## 13) Preferred Stock Formula

Formula

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

Example

$$0.4167 = \frac{25}{60}$$

Evaluate Formula 

## 14) Return on Capital Employed Formula

Formula

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

Example

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

Evaluate Formula 



### 15) Solvency Ratio Formula ↻

Formula

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

Example

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

Evaluate Formula ↻

### 16) Target Inventory Investment Formula ↻

Formula

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

Example

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

Evaluate Formula ↻

### 17) Total Inventory Cost Formula ↻

Formula

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

Example

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

Evaluate Formula ↻

### 18) Weighted Average Cost of Capital Formula ↻

Formula

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

Example

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

Evaluate Formula ↻



## Variables used in list of Important Formulas of Business above

- **% Off** Percentage Off
- **AC** Actual Cost
- **AR** Accounts Receivable
- **ATR** Acid Test Ratio
- **BEP** Break Even Point
- **C** Cash
- **C<sub>h</sub>** 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<sub>Turnover</sub>** Target Inventory Turnover
- **TIC** Total Inventory Cost
- **V** Variable Cost per Unit
- **V<sub>Firm</sub>** Firm Value
- **VP** Preferred Stock
- **WACC** Weighted average cost of capital
- **WASO** Average Shares



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