

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

$$TC \text{ (total cost)} = TFC \text{ (total fixed costs)} + TVC \text{ (total variable costs)}$$

Revenue

$$\text{Revenue} = \text{price} \times \text{quantity}$$

Break even

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

$$\text{Break even point in costs / revenue} = \text{break even point in units} \times \text{sales price}$$

Margin of safety

$$\text{Margin of safety} = \text{actual or budgeted sales} - \text{break even sales}$$

Interest (on loans)

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

Net cash-flow

$$\text{Net cash-flow} = \text{cash inflows} - \text{cash outflows in a given period}$$

Opening and closing balances

$$\text{Opening balance} = \text{closing balance of the previous period}$$

$$\text{Closing balance} = \text{opening balance} + \text{net cash-flow}$$

Gross profit

$$\text{Gross profit} = \text{sales revenue} - \text{cost of sales}$$

Gross profit margin

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

Net profit

$$\text{Net profit} = \text{gross profit} - \text{other operating expenses and interest}$$

Net profit margin

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

Average rate of return

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