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Basics of Financial Accounting Formulas

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List of 22 Basics of Financial Accounting Formulas

Basics of Financial Accounting

1) Annual Equivalent Cost

Open Calculator

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

ex $$5916.981 = \frac{10000 \cdot 0.12}{1-(1+0.12)^{-2}}$$

2) Annual Percentage Yield

Open Calculator

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

ex $$56.66504 = \left(1+\left(\frac{5}{10}\right)\right)^{10}-1$$

3) Depletion Charge per Unit

Open Calculator

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

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

4) Depletion Expense

Open Calculator

fx $$DE = DC \cdot UC$$

ex $$5800 = 290 \cdot 20$$

5) Discount Factor

Open Calculator

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

ex $$0.797194 = \frac{1}{1 \cdot (1 + 0.12)^{2}}$$

6) Discount given Discount Rate and List Price

Open Calculator

fx $$Disc = DR \cdot LP$$

ex $$6.18 = 0.12 \cdot 51.5$$

7) Discount given List Price and Price Paid

Open Calculator

fx $$Disc = LP - SP$$

ex $$1.5 = 51.5 - 50$$

8) Discount Lost

Open Calculator

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

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

9) Discount Percentage

Open Calculator

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

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

10) DuPont Analysis

Open Calculator

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

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

11) EBIT

Open Calculator

fx $$\mathrm{EBIT} = \mathrm{R} - \mathrm{OPEX}$$

ex $$8746 = 10000 - 1254$$

12) EBITDA

Open Calculator

$$\text{EBITDA} = \text{EBIT} + \text{D} + \text{A}_\text{m}$$

$$420626 = 8746 + 11880 + 400000$$

13) Effective Yield

Open Calculator

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

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

14) Internal Rate of Return

Open Calculator

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

$$5082.84 = \sum\left(x, 0, 2, \left(\left(\frac{3000}{(1+0.30)^x}\right)\right)\right) - 2000$$

15) List Price

Open Calculator

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

$$51.5 = 50 + 1.5$$

16) Long term Debt to Equity ratio

Open Calculator

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

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

17) Net Present Value

Open Calculator

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

ex $$5085.116 = \sum\left(x, 1, 3\mathrm{Year}, \left(\frac{2800}{(1+0.30)^{x}}\right)\right)$$

18) Operating Cash Flow

Open Calculator

fx $$\mathrm{OCF} = \mathrm{EBIT} + \mathrm{D} - \mathrm{T}$$

ex $$20608 = 8746 + 11880 - 18$$

19) Residual Value

Open Calculator

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

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

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

Open Calculator

fx $$\mathrm{TSE} = \mathrm{SC} + \mathrm{RE} - \mathrm{TS}$$

ex $$37364 = 38000 + 36 - 672$$

21) Shareholders' Equity given Total Assets and Liabilities

Open Calculator

fx $$\mathrm{TSE} = \mathrm{TA} - \mathrm{TL}$$

ex $$37364 = 82374 - 45010$$

22) Value of Stock

Open Calculator

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

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

Variables Used

- 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
- 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

Constants, Functions, Measurements used

- Function: **sum**, sum(i, from, to, expr)
  Summation or sigma (∑) 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

Check other formula lists

- **Capital Budgeting Formulas**
- **Debt Management Formulas**
- **Cash Management Formulas**

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