May 2023

Business formulae

- Average rate of returns

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

- Total costs

total costs (TC) = total fixed costs (TFC) + total variable costs (TVC)

- Variable costs

variable costs = costs of one unit × quantity produced

- Percentage growth

percentage growth = $\frac{\text{increase in size}}{\text{original size}} \times 100$

- Revenue

Revenue = Price × quantity

- Net profit

net profit = gross profit - other expenses and interest

- Break even (BE)

break even unit = $\frac{\text{fixed costs}}{\text{(sales price - variable cost)}}$

- Net profit margin

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

break even costs / revenue = break even units × sales price

- Margin of safety

Margin of safety = actual sales - breakeven sales

- Interest (on loans)

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

- Net cash flow

net cash flow = cash inflows (receipts) - cash outflow (payments)

- Opening + closing ~~ballance~~ balance

Opening balance = closing ballance of previous period

Closing balance = opening balance + net cash flow

- Profit

profit / loss = total revenue - total costs

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

- Gross profit

gross profit = sales revenue - costs of sales