EQUATIONS YOU NEED TO KNOW

THEME ONE

MARKET SHARE = $\dfrac{\text{SALES OF A BUSINESS}}{\text{TOTAL SALES IN THE MARKET}} \times 100$

PED = $\dfrac{\text{\% CHANGE IN QUANTITY DEMANDED}}{\text{\% CHANGE IN PRICE}}$

YED = $\dfrac{\text{\% CHANGE IN QUANTITY DEMANDED}}{\text{\% CHANGE IN INCOME}}$

BREAKEVEN = $\dfrac{\text{TOTAL FIXED COSTS}}{\text{CONTRIBUTION PER UNIT}}$

CONTRIBUTION = **SELLING PRICE – VARIABLE COST PER UNIT**

TOTAL CONTRIBUTION = **CONTRIBUTION PER UNIT X NUMBER UNITS SOLD**

MARGIN OF SAFETY = **TOTAL OUTPUT – BREAKEVEN POINT**

GROSS PROFIT = **SALES REVENUE – COST OF SALE**

GP MARGIN = $\dfrac{\text{GROSS PROFIT}}{\text{SALES REVENUE}} \times 100$

OPERATING PROFIT = **GROSS PROFIT – EXPENSES**

OP MARGIN = $\dfrac{\text{OPERATING PROFIT}}{\text{SALES REVENUE}} \times 100$

WORKING CAPITAL = **CURRENT ASSETS – CURRENT LIABILITIES**

PRODUCTIVITY = $\dfrac{\text{OUTPUT PER TIME PERIOD}}{\text{INPUT PER TIME PERIOD}}$

LABOUR PRODUCTIVITY = $\dfrac{\text{OUTPUT PER TIME PERIOD}}{\text{NO. WORKERS/HOURS WORKED}}$

THEME TWO

SALES VOLUME = $\dfrac{\text{SALES REVENUES}}{\text{PRICE}}$

SALES REVENUE = **PRICE X QUANTITY**

TOTAL COSTS = **FIXED COSTS + VARIABLE COSTS**

TOTAL VARIABLE = **TOTAL COSTS – FIXED COSTS**

TOTAL VARIABLE = **AVERAGE VARIABLE X OUTPUT**

AVERAGE VARIABLE = $\dfrac{\text{VARIABLE COSTS}}{\text{OUTPUT}}$

PROFIT = **TOTAL REVENUE – TOTAL COSTS**

NET PROFIT = **OPERATING PROFIT – INTEREST/TAX**

NP MARGIN = $\dfrac{\text{NET PROFIT}}{\text{SALES REVENUE}} \times 100$

CURRENT RATIO = $\dfrac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$

ACID TEST RATIO = $\dfrac{\text{CURRENT ASSETS - STOCK}}{\text{CURRENT LIABILITIES}}$

CAPITAL PRODUCTIVITY = $\dfrac{\text{OUTPUT PER TIME PERIOD}}{\text{NO. MACHINES}}$

CAPACITY UTILISATION = $\dfrac{\text{ACTUAL OUTPUT}}{\text{MAXIMUM OUTPUT}} \times 100$

THEME THREE

GEARING RATIO = $\dfrac{\text{NON-CURRENT LIABILITIES}}{\text{CAPITAL EMPLOYED}} \times 100$

ROCE RATIO = $\dfrac{\text{OPERATING PROFIT}}{\text{CAPITAL EMPLOYED}} \times 100$

CAPITAL EMPLOYED = TOTAL EQUITY + NON-CURRENT LIABILITIES

LABOUR PRODUCTIVITY = $\dfrac{\text{OUTPUT PER TIME PERIOD}}{\text{NO. WORKERS/HOURS WORKED}}$

LABOUR TURNOVER = $\dfrac{\text{NO. EMPLOYEES LEAVING}}{\text{AVERAGE NO. EMPLOYEES}} \times 100$

ABSENTEEISM = $\dfrac{\text{NO. WORK DAYS LOST THROUGH ABSENCE}}{\text{TOTAL POSSIBLE DAYS WORKED}} \times 100$