



Worksheet 5: Formulae answers

Calculations	Formula
Total revenue/Sales revenue/Turnover =	$\text{Units sold} \times \text{selling per unit}$
Profit/Loss =	$\text{Selling price per unit} - \text{Costs per unit}$ OR $\text{Total revenue} - \text{total costs/expenses}$
Depreciation (Straight line method) =	$\text{Cost of non-current asset} \times \text{rate of depreciation}$
Depreciation (Reducing value method) =	$(\text{Cost of non-current asset} - \text{Accumulated depreciation on non-current asset}) \times \text{rate of depreciation}$
Profit/Loss on disposal of non-current assets =	$\text{Sale proceeds of non-current assets} - \text{Carrying value of non-current assets}$
Number of shares =	$\frac{\text{Share capital}}{\text{Nominal value/face value of each share}}$
Inventory valuation =	$\text{Unsold units} \times (\text{Cost or net realisable value whichever is lower})$
Profit/loss share for each partner =	$\text{Total profit} \times \text{share of profit/loss}$
Interest on loan/debentures =	$\text{Amount borrowed} \times \text{rate of interest}$
Dividends =	$\text{Number of shares} \times \text{Dividend per share}$
Net current Assets (Working Capital) =	$\text{Current assets} - \text{current liabilities}$
Total variable costs =	$\text{Variable costs per unit} \times \text{output}$
Contribution =	$\text{Selling price per unit} - \text{variable costs per unit (per unit)}$ OR $\text{Total revenue} - \text{total variable costs (total)}$
Total cost =	$\text{Total variable costs} + \text{total fixed costs}$ OR $(\text{Variable cost per unit} \times \text{number of units produced}) + \text{fixed costs}$
Break-even level of output =	$\frac{\text{Fixed costs}}{(\text{Selling price per unit} - \text{variable cost per unit})}$ OR $\frac{\text{Fixed costs}}{\text{Contribution per unit}}$
Margin of safety =	$\text{Current level of output} - \text{break-even level of output}$
Contribution to sales ratio =	$\frac{\text{Contribution} \times 100}{\text{Sales}}$
Level of output or sales to achieve a target profit =	$\frac{\text{Fixed costs} + \text{targeted profit}}{(\text{Selling price per unit} - \text{variable cost per unit})}$ OR $\frac{\text{Fixed costs} + \text{targeted profit}}{\text{Contribution per unit}}$



Calculations	Formula
Net cash flow =	<i>Total receipts/cash flow in – Total payments/cash flow out</i>
Favourable variance =	<i>Budgeted cost for actual production – actual cost</i>
Adverse variance =	<i>Actual cost – budgeted cost for actual production</i>