



National 5 Accounting

Accounting formulae: old and new terminology

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National 5 Accounting— new terminology

Ratio	Formula
Profitability ratios:	
Return on equity employed	$\frac{\text{Profit for the year}}{\text{Opening equity}} \times 100 = \%$
Gross profit ratio	$\frac{\text{Gross profit}}{\text{Sales revenue}} \times 100 = \%$
Profit for the year ratio	$\frac{\text{Profit for the year}}{\text{Sales revenue}} \times 100 = \%$
Liquidity ratios:	
Current ratio	Current assets: current liabilities Answer should be expressed as a ratio, eg 2·35:1
Acid test ratio	Current assets — closing inventory: current liabilities Answer should be expressed as a ratio, eg 1·27:1
Efficiency ratios:	
Rate of inventory turnover	$\frac{\text{Cost of sales}}{\text{Average inventory}} = \text{times}$
Expenses ratio	$\frac{\text{Expenses}}{\text{Sales revenue}} \times 100 = \%$
Trade payables period	$\frac{\text{Average trade payables}}{\text{Credit purchases}} \times 365 = \text{days (or } \times 52 = \text{weeks, or } \times 12 = \text{months)}$ NB — Where only one figure is given for trade payables, this will be taken as the average.
Trade receivables period	$\frac{\text{Average trade receivables}}{\text{Credit sales}} \times 365 = \text{days (or } \times 52 = \text{weeks, or } \times 12 = \text{months)}$ NB — Where only one figure is given for trade receivables, this will be taken as the average.
Non-current asset turnover	$\frac{\text{Sales revenue}}{\text{Non-current assets at net book value}}$ Answers should be expressed as a ratio, eg 0·75:1

National 5 Accounting— old terminology

Ratio	Formula
Profitability ratios:	
Return on capital employed	$\frac{\text{Net profit}}{\text{Opening capital}} \times 100 = \%$
Gross profit ratio	$\frac{\text{Gross profit}}{\text{Sales revenue}} \times 100 = \%$
Net profit ratio	$\frac{\text{Net profit}}{\text{Sales revenue}} \times 100 = \%$
Liquidity ratios:	
Current ratio	Current assets: current liabilities Answer should be expressed as a ratio, eg 2.35:1
Acid test ratio	Current assets – closing stock: current liabilities Answer should be expressed as a ratio, eg 1.27:1
Efficiency ratios:	
Rate of stock turnover	$\frac{\text{Cost of goods sold}}{\text{Average stock}} = \text{times}$
Expenses ratio	$\frac{\text{Expenses}}{\text{Sales revenue}} \times 100 = \%$
Creditors' payment period	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times 365 = \text{days (or } \times 52 = \text{weeks, or } \times 12 = \text{months)}$ NB — Where only one figure is given for creditors, this will be taken as the average.
Debtors' collection period	$\frac{\text{Average debtors}}{\text{Credit sales}} \times 365 = \text{days (or } \times 52 = \text{weeks, or } \times 12 = \text{months)}$ NB — Where only one figure is given for debtors, this will be taken as the average.
Fixed asset turnover	$\frac{\text{Sales revenue}}{\text{Fixed assets at net book value}}$ Answers should be expressed as a ratio, eg 0.75:1