



National 5 Accounting formulae sheet

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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