

FINANCIAL MANAGEMENT — FORMULAE SHEET

$$EOQ = \sqrt{\frac{2 C_o D}{C_H}}$$

$$IRR = R_1 + \left[\frac{N_1}{N_1 - N_2} \times (R_2 - R_1) \right]$$

$$\text{RETURN ON CAPITAL EMPLOYED} = \frac{\text{PROFIT BEFORE INTEREST + TAX}}{\text{CAPITAL EMPLOYED}}$$

$$\text{NET PROFIT MARGIN} = \frac{\text{PROFIT BEFORE INTEREST + TAX}}{\text{SALES}}$$

$$\text{GROSS PROFIT MARGIN} = \frac{\text{GROSS PROFIT}}{\text{SALES}}$$

$$\text{ASSET TURNOVER} = \frac{\text{SALES}}{\text{CAPITAL EMPLOYED}}$$

$$\text{STOCK TURNOVER} = \frac{\text{STOCK}}{\text{COST OF SALES}} \times 365$$

$$\text{Debtor Days} = \frac{\text{Trade Debtors}}{\text{Sales}} \times 365$$

$$\text{Creditor Days} = \frac{\text{Trade Creditors}}{\text{Cost of Sales}} \times 365$$

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}}$$

$$\text{Gearing Ratio} = \frac{\text{Long Term Loans}}{\text{Capital Employed}}$$