FORMULAS
ACC 200: FINANCIAL ACCOUTING

Diné College
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Intro to Accounting

Assets = Liabilities + Equity

Net Income or Net Loss = Revenues − Expenses

Ending Retained Earnings = Beginning Retained Earnings + Net Income (or subtract if a net loss) − Dividends

Net Increase/Decrease In Cash = Cash Flows from Operating Activities + Cash Flows from Investing Activities + Cash Flows from Financing Activities

Ratio of Liabilities to Stockholders' Equity = Total Liabilities / Total Stockholders' Equity

Analyzing Transactions

Balance of Account = Debits − Credits

» Asset accounts have a normal Debit balance.

» The dividends account has a normal Debit balance.

» Revenue accounts have a normal Credit balance.

» Expense accounts have a normal Debit balance.

» Liabilities and retained earnings accounts normally have a Credit balance.

» The retained earnings account includes income statement accounts and the Dividends account.

The Adjusting Process

Net Book Value = Costs − Accumulated Depreciation

Ending Depreciation = Beginning Accumulated Depreciation + Depreciation Expense − Accumulated Depreciation for Retiring Assets

Ending Supplies = Beginning Supplies + Supplies Bought − Supplies Expense

Ending Prepaid Expense = Beginning Prepaid Expense + Additional Payments − Expense

Completing the Accounting Cycle

Working Capital = Current Assets − Current Liabilities

Current Ratio = Current Assets / Current Liabilities

» Temporary accounts require closing entries.

» Revenue and expense accounts are closed to the Income Summary account.

Accounting for Merchandising Businesses

Gross Profit = Sales - Cost of Goods Sold

Inventory Shrinkage = Inventory Account Balance - Physical Inventory on Hand

Asset Turnover Ratio = Sales / Average Total Assets

Inventories

Weighted Average Unit Cost (under periodic inventory system) = Total Costs of Units Available for Sale / Units Available for Sale

Net Realizable Value = Estimated Selling Price - Direct Costs of Disposal

Inventory Turnover = Cost of Goods Sold / Average Inventory

Number of Days' Sales in Inventory = Average Inventory / Average Daily Cost of Goods Sold

Internal Control & Cash

» A company's checking account balance is a(n) liability in the bank records.

» A credit memo entry on the bank statement shows an increase to the company's account, while a debit memo entry on the bank statement shows a decrease in the company's account.

Daily Cash Operating Expenses = (Operating Expenses - Depreciation Expenses) / 365 Days

Days' Cash on Hand = Cash & Short-Term Investments / Daily Cash Operating Expenses

Receivables

Net Realizable Value = Accounts Receivable - Allowance for Doubtful Accounts

» After the adjusting entry is recorded, *Allowance for Doubtful Accounts* should always have a(n) Credit balance.

Interest = Face Amount × Interest Rate × (Term x 360 Days)

Maturity Value = Face Amount + Interest

Accounts Receivable Turnover = Sales / Average Accounts Receivable

Number of Days' Sales in Receivables = Average Accounts Receivable / Average Daily Sales

Long-Term Assets: Fixed & Intangible

Depreciable Cost = Initial Cost - Residual Value

Annual Depreciation (Straight-Line Method) = (Cost - Residual Value) / Useful Life

Straight-Line Rate = 100% / Useful Life

Depreciation per Unit = (Cost - Residual Value) / Total Estimated Units of Activity

Double-Declining-Balance = Straight-Line Rate × 2

Depletion Rate = Cost of Resource / Estimated Total Units of Resource

Fixed Asset Turnover Ratio = Sales / Average Book Value of Fixed Assets

Liabilities: Current, Installment Notes, Contingencies

Net Pay = Gross Pay - Deductions

Working Capital = Current Assets - Current Liabilities

Current Ratio = Current Assets / Current Liabilities

Quick Ratio = Quick Assets / Current Liabilities

Liabilities: Bond Payable

» If the selling price of a bond is less than the face amount or the market rate is greater than the contract rate, the bond is selling at a discount.

» If the selling price and market rate of a bond are equal to the face amount and contract rate, the bond is selling at the face amount.

» If the selling price is greater than the face amount of a bond and the market rate is less than the contract rate, the bond is selling at a premium.

Times Interest Earned = (Income before Income Tax Expense + Interest Expense) / Interest Expense

Corporations: Organization, Stock Transactions & Dividends

» If stock is sold for a price that is more than its par value, the stock has been sold at a(n) Premium.

» If stock is sold for a price that is less than its par value, the stock has been sold at a(n) Discount.

Earnings per Share = (Net Income - Preferred Dividends) / Average Number of Common Shares Outstanding

Statement of Cash Flows

Net Cash Flow from Operating Activites = Cash Received from Customers - Cash Payments for Expenses and Payments to Creditors

Change in Cash = Change in Liabilities + Change in Stockholders' Equity - Change in Noncash Assets

Free Cash Flow = Cash Flows from Operating Activities - Cash Used to Purchase Property, Plant, and Equipment

Ration of Free Cash Flow to Sales = Free Cash Flow / Sales

Financial Statement Analysis

Working Capital	=	Current Assets - Current Liabilities
Current Ratio	=	Current Assets / Current Liabilities
Quick Ratio	=	Quick Assets / Current Liabilities
Accounts Receivable Turnover	=	Sales / Average Accounts Receivable
Number of Days' Sales in Receivables	=	Average Accounts Receivable / Average Daily Sales
Inventory Turnover	=	Cost of Goods Sold / Average Inventory
Number of Days' Sales in Inventory	=	Average Inventory / Average Daily Cost of Goods Sold
Ratio of Fixed Assets to Long-Term Liabilities	=	Fixed Assets (net) / Long-Term Liabilities
Ratio of Liabilities to Stockholders' Equity	=	Total Liabilities / Total Stockholders' Equity
Times Interest Earned	=	(Income before Income Tax + Interest Expense) / Interest Expense
Asset Turnover	=	Sales / Average Total Assets
Return on Total Assets	=	(Net Income + Interest Expense) / Average Total Assets
Return on Stockholders' Equity	=	Net Income / Average Total Stockholders' Equity
Return on Common Stockholders' Equity	=	(Net Income - Preferred Dividends) / Average Common Stockholders' Equity
Earnings per share on Common Stock	=	(Net Income - Preferred Dividends) / Shares of Common Stock Outstanding
Price-Earnings Ratio	=	Market Price per share of Common Stock / Earnings per share on Common Stock
Dividends per share	=	Dividends on Common Stock / Shares of Common Stock Outstanding
Dividend Yield	=	Dividends per share of Common Stock / Market Prive per share of Common Stock