

Class 12 Accountancy - Important Formulas

1. Financial Statements of Not-for-Profit Organisation

Surplus/Deficit = Total Income – Total Expenditure

2. Partnership Fundamentals

Interest on Capital = Capital × Rate × Time / 100

Interest on Drawings = Total Drawings × Rate × Time / 100

Profit Sharing Ratio = Agreed Ratio among partners

Goodwill Valuation

Average Profit = Total Profits / Number of Years

Goodwill = Average Profit × Number of Years Purchase

Super Profit = Average Profit – Normal Profit

Goodwill = Super Profit × Number of Years Purchase

Admission of a Partner

New Profit Sharing Ratio = Agreed Ratio after admission

Sacrificing Ratio = Old Ratio – New Ratio

Retirement/Death of a Partner

Gaining Ratio = New Ratio – Old Ratio

Dissolution of Partnership

Realisation Profit/Loss = Assets Realised – Liabilities Paid

3. Share Capital

Oversubscription = Shares Applied – Shares Issued

Calls in Arrears = Amount due – Amount received

Calls in Advance = Excess amount received

Debentures

Interest on Debentures = Face Value × Rate / 100

4. Financial Statement Analysis

Liquidity Ratios

Current Ratio = Current Assets / Current Liabilities

Quick Ratio = Quick Assets / Current Liabilities

Profitability Ratios

Gross Profit Ratio = (Gross Profit / Net Sales) × 100

Net Profit Ratio = (Net Profit / Net Sales) × 100

Return on Investment = (Net Profit / Investment) × 100

Activity Ratios

Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory

Debtors Turnover Ratio = Net Credit Sales / Average Debtors

Solvency Ratios

Debt-Equity Ratio = Total Debt / Shareholders' Equity

5. Cash Flow Statement

Cash Flow from Operating Activities = Net Profit + Non-cash Expenses – Non-operating Income

Cash Flow from Investing Activities = Sale/Purchase of Assets

Cash Flow from Financing Activities = Issue/Redemption of Shares/Debentures