OxfordAQA International AS/A-level
Accounting (9615)

Formulae for accounting ratios

Used in our International AS and A-level exams

Ratios

Students will be required to know the formulae for the following accounting ratios. These are set out in sections 3.1.8 and 3.2.9 of the specification for this qualification.

Ratio	Formula
Capital gearing	$\left(\dfrac{\text{Noncurrent liabilities}}{\text{Issued share capital+Reserves+Noncurrent liabilities}}\right) \times 100$
Current ratio	$\dfrac{\text{Current Assets}}{\text{Current Liabilities}} : 1$
Dividend cover	$\left(\dfrac{\text{Profit after interest and tax}}{\text{Ordinary share dividends paid}}\right) \times 100$
Dividend yield	$\left(\dfrac{\text{Dividend per share}}{\text{Market price per share}}\right) \times 100$
Earnings per share	$\dfrac{\text{Profit after tax}}{\text{Number of issued ordinary shares}}$
Expenses in relation to revenue	$\left(\dfrac{\text{Expenses}}{\text{Revenue}}\right) \times 100$
Gross profit margin	$\left(\dfrac{\text{Gross profit}}{\text{Revenue}}\right) \times 100$
Interest cover	$\dfrac{\text{Profit before interest and tax}}{\text{Interest payable}}$
Liquid capital ratio (acid test ratio)	$\dfrac{\text{(Current assets-closing inventory)}}{\text{Current liabilities}} : 1$
Markup	$\left(\dfrac{\text{Gross profit}}{\text{Cost of sales}}\right) \times 100$
Price earnings	$\dfrac{\text{Market price per share}}{\text{Earnings per share}}$

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Profit in relation to revenue	$\left(\dfrac{\text{Profit for year}}{\text{Revenue}}\right) \times 100$
Rate of inventory turnover (days)	$\left(\dfrac{\text{Average inventory}}{\text{Cost of sales}}\right) \times 365$ Average inventory: normally the average of the opening and closing inventories.
Return on capital employed (sole trader)	$\left(\dfrac{\text{Profit for year}}{\text{Capital+noncurrent liabilities}}\right) \times 100$ Either opening or closing figure for capital could be used in the calculation
Return on capital employed (limited company)	$\left(\dfrac{\text{Profit from operations}}{\text{Equity+noncurrent liabilities}}\right) \times 100$ Either opening or closing figure for capital could be used in the calculation
Trade payable days	$\dfrac{\text{Trade payables}}{\text{Credit purchases}} \times 365$
Trade receivable days	$\dfrac{\text{Trade receivables}}{\text{Credit sales}} \times 365$

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