

Financial Accounting (BA3) . CIMA Certificate syllabus . For revision use only

Accounting Equation

Assets = Liabilities + Capital

Closing capital = Opening capital + Profit - Drawings

+ Additional capital introduced in the period

Depreciation

Straight-line = (Cost - Residual value) / Useful life

Reducing balance = NBV x Depreciation rate %

Profitability Ratios

Gross profit margin = Gross profit / Revenue x 100

Net profit margin = Net profit / Revenue x 100

ROCE = PBIT / Capital employed x 100

PBIT = Profit before interest and tax

Liquidity Ratios

Current ratio = Current assets / Current liabilities

Quick (acid test) ratio = (Current assets - Inventory) /
Current liabilities

Efficiency Ratios

Inventory days = Inventory / Cost of sales x 365

Receivables days = Trade receivables / Credit sales x 365

Payables days = Trade payables / Credit purchases x 365

Gearing

Gearing ratio = Debt / (Debt + Equity) x 100

Interest cover = PBIT / Interest expense

Bank Reconciliation

Adjusted cash book = Cash book balance +/- unrecorded
items

e.g. bank charges, interest, standing orders, dishonoured cheques

Bank statement balance -/+ unpresented
cheques/outstanding lodgements

= Adjusted cash book balance

Receivables Ledger Control Account

Closing balance = Opening balance + Credit sales

- Cash received - Discounts allowed - Irrecoverable debts
written off

+ Dishonoured cheques