

Basic Accounting Course Formula Sheet

Fundamental Accounting Equation

Assets = Liabilities + Equity

or

Net Assets (Assets - Liabilities) = Equity

Debits and Credits

Debit balances are blue

Credit balances are red

Debiting = Filling (Level rises)

Crediting = Draining (Level falls)

Types of Profit

Gross Profit = Revenue - Cost of Sales (Direct Costs)

Operating Profit = Revenue - Operating Costs (Cost of Sales and Overheads)

Net Profit = Revenue - All Costs

Profitability Ratios

Gross Profit Margin = $\frac{\text{Gross Profit}}{\text{Revenue}}$ %

Operating Profit Margin = $\frac{\text{Operating Profit}}{\text{Revenue}}$ %

Net Profit Margin = $\frac{\text{Net Profit}}{\text{Revenue}}$ %