Part 1 Formula Reference Guide

Term	Formula	Unit
Absorption costing equation	Revenue – Less: cost of goods sold Gross margin – Less: operating expenses (both fixed and variable) Net income	2
Accounting equation (or balance sheet equation)	Assets = Liabilities + Owners' equity (or stockholders' equity)	1
Asset turnover	$\text{Asset turnover} = \frac{\text{Sales}}{\text{Assets}}$	4
Budgeted production	Budgeted sales + Desired ending inventory – Beginning inventory Budgeted production	3
Cash budget	Beginning cash + Cash collections from sales – Cash disbursements for purchases and operating expenses Ending cash balance – Cash requirements set by policy ± Working capital available for loan repayment or if negative, loan needed ± Loan proceeds or loan repayment Ending cash available	3

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Term	Formula	Unit
Comprehensive income	Net income + Other comprehensive income Comprehensive income	1
Contribution margin	Contribution margin = Sales revenue – Variable costs	4
Contribution margin ratio	$\text{Contribution margin ratio} = \frac{\text{Contribution margin}}{\text{Revenue}}$	2
Conversion cost	Conversion cost = Direct labor cost + Overhead costs	2
Cost model carrying value	Cost model carrying value = Historical cost – Accumulated depreciation – Impairment	1
Cost of direct materials to be purchased (purchases at cost)	Units of direct materials to be purchased for the period × Cost per unit Cost of direct materials to be purchased for the period (purchases at cost)	3
Cost of goods manufactured	Total manufacturing costs (DM, DL, OH) + Beginning work-in-process inventory – Ending work-in-process inventory Cost of goods manufactured (COGM)	3
Cost of goods sold	Beginning inventory + Purchases Cost of goods available for sale – Ending inventory (physical count) Cost of goods sold	1

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