Part 2 Formula Reference Guide

Term	Formula	Unit
Accounting profit	Accounting profit = Revenue – Explicit costs	1
Accounts payable turnover*	$\text{Accounts payable turnover} = \frac{\text{Credit purchases}}{\text{Average accounts payable}}$	1
Accounts receivable turnover*	$\text{Accounts receivable turnover} = \frac{\text{Credit sales}}{\text{Average gross accounts receivable}}$	1
After-tax benefit (revenue)	After-tax benefit (revenue) = Pretax benefit (revenue) × (1 – Tax rate)	3
After-tax cost	After-tax cost = Pretax cost × (1 – Tax rate)	3
After-tax cost of debt	After-tax cost of debt = Pretax cost of debt × (1 − Tax rate)	2
After-tax income	After-tax income = Pretax income × (1 – Tax rate)	3
Annual cost (APR) of quick payment discount	$\text{APR of quick payment discount} = \frac{360}{\text{Pay period} - \text{Discount period}} \times \frac{\text{Discount}}{100 - \text{Discount \%}}$	2
Annual growth rate of line items*	$\textbf{Annual growth rate of line items} = \left[\frac{\textbf{New line item amount}}{\textbf{Old line item amount}}\right] - 1$	1
Annual percentage rate	Annual percentage rate = Effective periodic interest rate × Number of periods in a year	2
Annual return	$\text{Annual return} = \frac{\text{Ending value} - \text{Beginning value} + \text{Income}}{\text{Beginning value}}$	2

*Note that this formula is on the ICMA CMA Exam ratio definitions document. There are multiple ways to calculate many financial ratios. Students should use the ICMA recommended definitions, when possible, for the CMA exam.

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Term	Formula	Unit
Average fixed cost	$\text{Average fixed cost} = \frac{\text{Fixed costs}}{\text{Quantity produced}}$	3
Average total cost	$\text{Average total cost} = \frac{\text{Total costs}}{\text{Quantity produced}}$	3
Average variable cost	$\text{Average variable cost} = \frac{\text{Total variable costs}}{\text{Quantity produced}}$	3
Basic earnings per share*	$\text{Basic EPS} = \frac{\text{Net income} - \text{Preferred dividends}}{\text{Weighted average common shares outstanding**}}$ **Number of shares outstanding is weighted by the number of months shares are outstanding.	1
Book value per share*	$\text{Book value per share} = \frac{\text{Total stockholders' equity} - \text{Preferred equity}}{\text{Number of common shares outstanding}}$	1
Breakeven point (in dollars)	Breakeven point in dollars = Unit price × Breakeven point (in units) Or: $\text{*Breakeven point in dollars} = \frac{\text{Fixed costs}}{\text{Contribution margin ratio}}$ Where: $\text{Contribution margin ratio} = \frac{\text{Unit contribution margin}}{\text{Selling price}}$ To calculate multiproduct breakeven point (in dollars), the weighted contribution margin ratio would be used. This is calculated by adding the weighted contribution margin in dollars and dividing it by the total sales dollars.	3

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