

$$V_T(T) = S_T - F_T(T)$$

$$F_T(T) = S_0 (1 + r)^T$$

$$w_i^* = \frac{1}{N}$$

Fundamentals of Financial Reporting

Cheat Sheets

$$w_i^* = \frac{Q_i P_i}{\sum_{i=1}^N Q_i P_i}$$

365✓

Fundamentals of Financial Reporting

BASICS OF ACCOUNTING

Basic Accounting Equation

Assets = Liabilities + Equity

Net income

Net income = Revenue - Expenses

Gross profit (income)

Gross profit (income) = Revenue - Cost of goods sold

Operating profit (income)

**Operating profit (income) =
= Profit before interest and tax (PBIT) = Gross profit - Operating expenses**

Profit Before Tax (PBT)

Profit before tax (PBT) = PBIT - Interest expense

Net profit (income)

**Net profit (income) =
= PBT - Tax expense =
= Operating profit - Interest Expense - Tax expense**

Fundamentals of Financial Reporting

UNDERSTANDING INCOME STATEMENTS

Basic Earnings per Share (EPS)

$$\text{Basic EPS} = \frac{\text{Net Income} - \text{Preferred Dividends}}{\text{Weighted average number of common shares outstanding}}$$

Diluted Earnings per Share (DEPS)

$$\text{Diluted EPS} = \frac{\text{Adjusted income available for common shares}}{\text{Weighted average common and potential common shares outstanding}}$$

$$\text{Diluted EPS} = \frac{\left[\text{Net income} - \text{Preferred dividends} \right] + \left[\text{Convertible preferred dividends} \right] + \left[\text{Convertible debt interest} \right] (1 - t)}{\left(\text{Weighted average shares} \right) + \left(\text{Shares from conversion of conv. pfd. shares} \right) + \left(\text{Shares from conversion of conv. debt} \right) + \left(\text{Shares issuable from stock options} \right)}$$

Gross profit margin

$$\text{Gross profit margin} = \frac{\text{Gross profit}}{\text{Revenue}}$$

Net profit margin

$$\text{Net profit margin} = \frac{\text{Net profit}}{\text{Revenue}}$$

Fundamentals of Financial Reporting

UNDERSTANDING BALANCE SHEETS

LIQUIDITY RATIOS

Current ratio **Current ratio** = $\frac{\text{Current assets}}{\text{Current liabilities}}$

Quick ratio **Quick ratio** = $\frac{\text{Cash} + \text{Short-term marketable securities} + \text{Receivables}}{\text{Current liabilities}}$

Cash ratio **Cash ratio** = $\frac{\text{Cash} + \text{Short-term marketable securities}}{\text{Current liabilities}}$

SOLVENCY RATIOS

Long-term debt-to-equity **Long-term debt-to-equity** = $\frac{\text{Long-term debt}}{\text{Total equity}}$

Total debt-to-equity **Total debt-to-equity** = $\frac{\text{Total debt}}{\text{Total equity}}$

Debt ratio **Debt ratio** = $\frac{\text{Total debt}}{\text{Total assets}}$

Financial leverage **Financial leverage** = $\frac{\text{Total assets}}{\text{Total equity}}$

Fundamentals of Financial Reporting

UNDERSTANDING CASH FLOW STATEMENTS

FREE CASH FLOW MEASURES

$$\text{FCFF} = \text{CFO} + [\text{Int} \times (1 - \text{tax rate})] - \text{FCInv}$$

CFO = Cash flow from operations
Int = Cash interest paid
FCInv = Fixed capital investment
(net capital expenditures)

$$\text{FCFF} = \text{NI} + \text{NCC} + [\text{Int} \times (1 - \text{tax rate})] - \text{FCInv} - \text{WCInv}$$

NI = Net income
NCC = Non-cash charges
(depreciation and amortization)
Int = Cash interest paid
FCInv = Fixed capital investment
(net capital expenditures)
WCInv = Working capital investment

$$\text{FCFE} = \text{CFO} - \text{FCInv} + \text{Net borrowing}$$

CFO = Cash flow from operations
FCInv = Fixed capital investment
(net capital expenditures)
Net borrowing = Debt issued - debt repaid

CASH FLOW RATIOS PERFORMANCE RATIOS

$$\text{Cash flow-to-revenue} \quad \text{Cash flow-to-revenue} = \frac{\text{Cash flow from operations}}{\text{Revenue}}$$

$$\text{Cash-to-income} \quad \text{Cash-to-income} = \frac{\text{Cash flow from operations}}{\text{Operating income}}$$

$$\text{Cash return-on-assets} \quad \text{Cash return-on-assets} = \frac{\text{Cash flow from operations}}{\text{Average total assets}}$$

$$\text{Cash return-on-equity} \quad \text{Cash return-on-equity} = \frac{\text{Cash flow from operations}}{\text{Average total equity}}$$

$$\text{Cash flow per share} \quad \text{Cash flow per share} = \frac{\text{CFO} - \text{Preferred dividends}}{\text{Weighted average number of common shares}}$$

Fundamentals of Financial Reporting

UNDERSTANDING CASH FLOW STATEMENTS

CASH FLOW RATIOS

COVERAGE RATIOS

Debt coverage	Debt coverage = $\frac{\text{Cash flow from operations}}{\text{Total debt}}$
----------------------	---

Interest coverage	Interest coverage = $\frac{\text{CFO} + \text{Interest paid} + \text{Taxes paid}}{\text{Interest paid}}$
--------------------------	---

Reinvestment ratio	Reinvestment ratio = $\frac{\text{Cash flow from operations}}{\text{Cash paid to acquire long-term assets}}$
---------------------------	---

Debt payment	Debt payment = $\frac{\text{Cash flow from operations}}{\text{Cash paid to repay long-term debt}}$
---------------------	---





Dividend payment	Dividend payment = $\frac{\text{Cash flow from operations}}{\text{Dividends paid}}$
-------------------------	--

Investing and financing ratio	Investing and financing ratio = $\frac{\text{Cash flow from operations}}{\text{Cash outflows from investing and financing activities}}$
--------------------------------------	--

Master the Finance Skills Necessary to Succeed.

Now at **60% OFF!**

Become an expert in financial reporting, accounting, analysis, or modeling with our **comprehensive training program.**

-  Learn from industry-leading instructors and gain practical skills to advance your career.
-  Build your knowledge with self-paced courses and enjoy the flexibility of online learning.
-  Validate your skills with exams and certificates demonstrating your expertise to potential employers.
-  Stand out in the job market with a strong resume created with our resume builder.

Save 60% on an annual plan from the online learning program that helped more than **2 million people** advance their careers.

[Start learning now](#)

30-day money-back guarantee

$$V_T(T) = S_T - F_T(T)$$

$$F_T(T) = S_0 (1 + r)^T$$

$$w_i^* = \frac{1}{N}$$

Email: team@365financialanalyst.com

$$w_i^* = \frac{Q_i P_i}{\sum_{i=1}^N Q_i P_i}$$

365 