**APPENDIX 2: FORMULAE SHEET**

*Measures of profitability*

Gross Profit Ratio

\[
\frac{\text{Gross Profit}}{\text{Net Sales}} \times 100
\]

Net Profit Ratio

\[
\frac{\text{Net Profit}}{\text{Net Sales}} \times 100
\]

Rate of Return on Owner’s Equity

\[
\frac{\text{Net Profit}}{\text{Average Owner’s Equity}} \times 100
\]

(Ratios to be calculated to the nearest two decimal places)

*Measure of financial stability*

Gearing (or Debt to Equity) Ratio

\[
\frac{\text{Total Liabilities}}{\text{Total Equity}} \times 100
\]

(Ratio to be calculated to the nearest two decimal places)

*Measure of liquidity*

Current (or Working Capital) Ratio

\[
\frac{\text{Current Assets}}{\text{Current Liabilities}}
\]

(Expressed as a ratio to 1)

*Measures of efficiency*

Debtors Collection Period

\[
\frac{\text{Average Accounts Receivable}}{\text{Net Credit Sales}} \times 365
\]

(Expressed as the number of days)

Break-even

Break-even point

\[
\frac{\text{Total Fixed Costs}}{(\text{Selling price per unit} – \text{Variable cost per unit})}
\]

(Round up to the next full unit)