BTEC LEVEL 3 BUSINESS • UNIT 3

Finance formula sheet

01 / Planning and accounting | Business finance focus

Measure	Formula
Sales revenue	Selling price × units sold
Total costs	Fixed costs + (variable cost per unit × output)
Contribution per unit	Selling price − variable cost per unit
Total contribution	Contribution per unit × units sold
Break-even units	Fixed costs ÷ contribution per unit
Break-even sales value	Break-even units × selling price
Margin of safety	Actual or expected sales units − break-even units
Margin of safety in £	Margin of safety units × selling price
Net cash flow	Total receipts − total payments
Closing cash balance	Opening cash balance + net cash flow
Cost of sales	Opening inventory + purchases − closing inventory
Gross profit	Revenue − cost of sales
Profit for the year	Gross profit + other income − expenses
Straight-line depreciation	(Cost − residual value) ÷ useful life, or cost × stated annual %
Reducing balance depreciation	Opening net book value × depreciation rate

Remember
Round break-even units up where necessary. Keep negative cash balances negative. Learn the formulas rather than relying on this sheet in an assessment.

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Finance formula sheet

02 / Financial performance | Recall and apply

Measure	Formula
Net book value	Asset cost − accumulated depreciation
Net current assets	Current assets − current liabilities
Net assets	Total assets − total liabilities
Closing capital	Opening capital + new capital + profit − drawings (subtract a loss)
Capital employed	Total assets − current liabilities, or equity + non-current liabilities
Gross profit margin	Gross profit ÷ revenue × 100
Mark-up	Gross profit ÷ cost of sales × 100
Profit margin	Profit ÷ revenue × 100
ROCE	Profit ÷ capital employed × 100
Current ratio	Current assets ÷ current liabilities
Liquid capital ratio	(Current assets − inventory) ÷ current liabilities
Receivable days	Trade receivables ÷ credit sales × 365
Payable days	Trade payables ÷ credit purchases × 365
Inventory days	Average inventory ÷ cost of sales × 365

Use % for profitability, x:1 for liquidity and days for efficiency. Average inventory is normally (opening inventory + closing inventory) ÷ 2.

Curriculum reference: Pearson BTEC Nationals in Business (2016), Unit 3, National Diploma specification, Issue 14 (April 2023), pp. 41–44. Official qualification page. Original explanations and fictional examples; not endorsed by Pearson.

> **Exam terminology**
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> Inventory days is also called inventory turnover in the Unit 3 specification; express the result in days.