

# Formulae sheet

## A-level Business: Paper 2

This list of formulae will be provided for the A-level Paper 2 assessment

3.1 Focus: What is business, managing marketing and finance	
1	<p><b>Market capitalisation of a business =</b></p> <p>Number of issued shares × Current share price</p>
2	<p><b>Dividend yield (%) =</b></p> <p>Dividend per share (£) =  <math display="block">\frac{\text{Dividend per share (pence)}}{\text{Share price (pence)}} \times 100</math></p>
3	<p><b>Market growth (%) =</b></p> <p><math display="block">\frac{\text{Change in the size of the market over a period}}{\text{Original size of the market}} \times 100</math></p>
4	<p><b>Market share (%) =</b></p> <p><math display="block">\frac{\text{Sales of one product OR brand OR business}}{\text{Total sales in the market}} \times 100</math></p>
5	<p><b>Price elasticity of demand =</b></p> <p><math display="block">\frac{\% \text{ change in the quantity demanded}}{\% \text{ change in price}}</math></p>
6	<p><b>Income elasticity of demand =</b></p> <p><math display="block">\frac{\% \text{ change in the quantity demanded}}{\% \text{ change in income}}</math></p>
7	<p><b>Revenue (Sales or Turnover) =</b></p> <p>Selling price per unit × Number of units sold</p>
8	<p><b>Variable costs (Total variable costs) =</b></p> <p>Variable cost per unit × Number of units sold</p>

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3.1 Focus: What is business, managing marketing and finance	
9	<p><b>Total costs =</b></p> <p>Fixed costs + Variable costs</p>
10	<p><b>Contribution per unit =</b></p> <p>Selling price – Variable costs per unit</p>
11	<p><b>Total contribution =</b></p> <p>Contribution per unit × Units sold OR Total revenue – Total variable costs</p>
12	<p><b>Break-even output =</b></p> $\frac{\text{Fixed costs}}{\text{Contribution per unit}}$
13	<p><b>Margin of safety =</b></p> <p>Actual level of output – Break-even level of output</p>
14	<p><b>Payable days =</b></p> $\frac{\text{Payables}}{\text{Cost of sales}} \times 365$
15	<p><b>Receivable days =</b></p> $\frac{\text{Receivables}}{\text{Revenue}} \times 365$
16	<p><b>Current ratio =</b></p> $\frac{\text{Current assets}}{\text{Current liabilities}}$
17	<p><b>Acid test ratio =</b></p> $\frac{(\text{Current assets} - \text{Inventory})}{\text{Current liabilities}}$
18	<p><b>Profit =</b></p> <p>Total revenue – Total costs OR Total contribution – Fixed costs</p>

3.1 Focus: What is business, managing marketing and finance	
19	<p><b>Gross Profit =</b></p> <p>Revenue – Cost of sales</p>
20	<p><b>Operating profit =</b></p> <p>Gross profit – Operating expenses</p>
21	<p><b>Net profit =</b></p> <p>Gross profit – Expenses</p>
22	<p><b>Profit for year =</b></p> <p>Operating profit + Profit from other activities – Net finance costs – Tax</p>
23	<p><b>Gross profit margin (%) =</b></p> $\frac{\text{Gross profit}}{\text{Revenue}} \times 100$
24	<p><b>Operating profit margin (%) =</b></p> $\frac{\text{Operating profit}}{\text{Revenue}} \times 100$
25	<p><b>Net profit margin (%) =</b></p> $\frac{\text{Net profit}}{\text{Revenue}} \times 100$
26	<p><b>Profit for year margin (%) =</b></p> $\frac{\text{Profit for year}}{\text{Revenue}} \times 100$
27	<p><b>Variance =</b></p> <p>Budgeted figure – Actual figure</p>
28	<p><b>Return on capital employed (ROCE) (%) =</b></p> $\frac{\text{Operating profit}}{\text{Total equity + non-current liabilities}} \times 100$ <p>Where total equity + non-current liabilities = capital employed</p>

3.1 Focus: What is business, managing marketing and finance	
29	<p><b>Gearing (%) =</b></p> $\frac{\text{Non-current liabilities}}{\text{Total equity + non-current liabilities}} \times 100$ <p>Where total equity + non-current liabilities = capital employed</p>

3.2 Focus: Managing operations and people	
1	<p><b>Added value =</b></p> <p>Sales revenue – costs of bought-in goods and services</p>
2	<p><b>Unit costs (average costs) =</b></p> $\frac{\text{Total costs}}{\text{Number of units of output}}$
3	<p><b>Employee productivity =</b></p> $\frac{\text{Output over a time period}}{\text{Number of employees}}$
4	<p><b>Capacity utilisation (%) =</b></p> $\frac{\text{Actual output}}{\text{Maximum possible output}} \times 100$
5	<p><b>Inventory turnover =</b></p> $\frac{\text{Cost of sales}}{\text{Average inventories held}}$
6	<p><b>Employee turnover (%) =</b></p> $\frac{\text{Number of staff leaving}}{\text{Number of staff employed by the business}} \times 100$
7	<p><b>Employee costs (as a percentage of turnover) =</b></p> $\frac{\text{Employee costs}}{\text{Turnover}} \times 100$
8	<p><b>Employee costs (per unit) =</b></p> $\frac{\text{Employee costs}}{\text{Units of output}}$