Accounting Equation

- **Basic Equation**:
  Assets = Owner's Equity + Liabilities
- **Expanded Equation**:
  Assets = Capital + Revenue - Expenses - Drawings + Liabilities
- **Profit**:
  Revenue – Expenses OR Income - Expense

Inventory

- **Net Realisable Value**
  = Expected Selling Price – Additional Cost to Sell Inventory
- **Impairment Loss in Inventory***
  = Cost – Net Realisable Value

* *Note: impairment loss could only be incurred if cost > net realisable value*

Trade Receivables

- **Allowance for impairment of trade receivables**
  = Trade receivables x %

Non-current Assets

- **Straight-Line Method**:
  Depreciation per Year = (Cost - Residual Value*) / Useful Life
  Depreciation per Year = cost x depreciation rate (%)
- **Reducing Balance Method**:
  Depreciation per Year = Net Book Value × Depreciation Rate (%)

- **Net Book Value (NBV)**:
  = Cost – Accumulated depreciation

* *Note: Residual Value is also known as Scrap Value.*

Statement of Financial Performance (Profit and Loss)

- **Net Sales Revenue**:
  Net Sales Revenue = Sales Revenue - Sales Returns
- **Gross Profit**:
  Gross Profit = Net Sales Revenue - Cost of Sales
- **Profit for the year**:
  Profit for the year = Gross Profit + Other Income - Other Expenses
- **Cost of Sales**:
  Cost of Sales = Beginning Inventory + Purchases - Ending Inventory

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Statement of Financial Position (Equities)

- **Owner's Equity**:
  = Beginning capital + Additional capital + Profit – Drawings

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