The Profit Formula® is Ultimate Solution, a scientific breakthrough.
The scientific substantiation of *The* Profit Formula® is explained in this book.
Scientific evidence as well as practical application.

Period Profit Measurement
EXACTLY, QUICKLY and EASILY

Don't believe any net profit figure, demand the proof! And whoever does not fully bear the burden of taxes is hollowing out an enterprise and directly endangering its survival.

Measuring is a technical problem. First it is a matter of gauging even before one can start measuring. Gauging is coming across with the truth partly outside science.
Who dares to say what the normal percentages of scrap and/or unfit products are to be allowed for in order to calculate the unit-cost of a certain product? How many normal seconds or minutes to produce an element? Normal quantities and normal prices per unit? One needs a lot of data, most of it has to be brought in from the outside world. Science cannot answer most of these questions. The answers are just input-data in the unit-cost calculation. The calculation itself is the heart of the matter. That calculation, the scheme, is science. With open places to enter brought in data, values and standards. In this respect there is no difference between unit-cost calculation and profit calculation. In either case several sets of data are necessary to make a start. The crucial question is where to input them? Maybe some questions have a more or less objective answer, some data is objective data and therefore an object of science. But the main scientific aspect is the scheme, the calculus, the procedures, i.e. exactly what and how to calculate?
The best formula is one that contains everything and working with that formula must be user-friendly. There are various ideas about value, about what there is when the balance sheet is drawn up: the well-known concepts of value (historical cost, replacement value, direct i.e. net realisable and indirect market value) and still it may be not clear what the value of something is. There are also various ideas about what should and should not stay: the well-known capital maintenance concepts (nominalism, substantialism, and constant purchasing power). These are all topics in inflation accounting. *The* Profit Formula® is a universal profit meter, that can be adjusted so as to measure fiscal profit (gauging historical costs) or economic profit (with maximum freedom of gauging, considering all possible choices of values and standards).

The Profit Formula® <Profit = (CASH -/- NVD)(1 -/- quota) -/- SVD>

This basic equation of profit measurement includes each and every *capital maintenance concept* and does not exclude a single *concept of value*. Integration of nominalism (NVD) and substantialism (SVD), both general and specific, and with the exact calculation of the burden of taxation. This equation encompasses it all. According to different profit definitions (fiscal profit, profit to be published, and economic profit) anybody can measure profit over a randomly chosen period, of any length. *The* Profit Formula® is exceptionally user-friendly. *The* Profit Formula® is tested and its operation is proven in Chapter 8, that contains a series of elaborated problems. In this book, the internal documents are the subject matter, which may be kept secret in my opinion, if that is necessary to enhance the truth. It must be indicated exactly how to measure the period profit as accurately as possible. Not knowing the profit, consequently the yield i.e. the return to capital, is also unknown, which is unsatisfactory,

whereas a certain cost of capital applies to each and every company. In fact, the notion of effectiveness is lost, if one cannot measure the true period profit.

The yield, profit divided by capital, must be reliably known within a margin of accuracy, under specified conditions, to be able to give guidance. Against 'the profit' i.e. the added value, there is WACC, and my free downloadable paper is 'The One and Only Standard WACC – Cost of Capital versus Return on Capital' https://ssrn.com/abstract=756105

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The text on the back of this book
(If this is not done at amazon, it is on the very last page of the book):

The Profit Formula®

Profit = (CASH -/- NVD)(1 -/- quota) -/- SVD

Basic Equation of Profit Measurement

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Integration of nominalism (NVD) and substantialism (SVD), both general and specific, and with the exact calculation of the burden of taxation. This equation includes each and every *capital maintenance concept* and does not exclude a single *concept of value*. Anybody can measure any reasonable profit over a randomly chosen period, of any length. *The* Profit Formula® is exceptionally user-friendly. Working with this profit meter is simple.

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**'Profit = Total Sales -/- Total Costs'
is not good enough.**

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Depreciation and amortisation, interest costs and tax burden are exogenous variables within the old formula – these cost items happen to be outcomes of separate calculations with several arbitrary choices – whereas they all are endogenous variables within the new formula, ipso facto separate calculations are not needed anymore. A tremendous amount of money can be saved, including for cases of historical cost accounting (measuring fiscal profit). The budgets of many accounts departments can be cut drastically.

<div align="center">

**Up until now managers have run their companies from the back seat.
From sheer necessity, lacking a decent financial standard.
At long last *The* Profit Formula® puts them
(and you) in the driver's seat.**

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The Profit Formula® proves its usefulness not just for exemplary problems but also, for instance, in the case of US-GAAP or IFRS published Annual Accounts. It's demonstrated below e.g. 2020 Nedap NV Annual Accounts.

Nedap NV 2020 in thousand €	NVD	End	Start
Tanglible fixed assets	590	38,031	38,621
Intangible fixed assets	617	2,211	2,828
Assets to sell	-/- 907	907	
Inventories	5,439	23,062	28,501

NVD	5,739		

Nedap NV 2020 in thousand €	NVD n.r. mon.	End	Start
Trade accounts receivable	2,350	28,176	30,526
Cash & cash equivalents	-/- 7,002	25,689	18,687
Trade creditors	-/- 390	-/- 23,263	-/- 23,653
Provisions long-term	370	-/- 1,074	-/- 704
Lease liabilities long-term	-/- 523	-/- 1,315	-/- 1,838
Employee benefits long-term	-/- 4	-/- 997	-/- 1,001
Employee benefits short-term	37	-/- 82	-/- 45
VAT & s.s. contributions	-/- 388	-/- 1,986	-/- 2,374
Lease liabilities short-term	22	-/- 1,009	-/- 987
Provisions short-term	279	-/- 1,515	-/- 1,236

NVD n.r. mon. excl. tax items	-/- 5,249		

From scratch Nedap NV 2020 in thousand €	0
NVD n.r. mon. assets & liabilities excl. tax items	-/- 5,249
Profit tax paid	-/- 3,215
FCF corrected	-/- 13,773

CASH	22,237
NVD	5,739

	16,498
Income tax expense	3,129

Net Comprehensive Income (published) excl. SVD	13,369

0 minus -/- 5,249 -/- 3,215 -/- 13,773 = 22,237 CASH
minus 5,739 = 16,498 next minus 3,129 = 13,369
and Nedap NV is listed Amsterdam Stock Exchange.

IFRS and US-GAAP in 2020 still do not recognise SVD.

-/- 86	IN/OUT Credit inst. long-term
783	(Re-)Issuance of shares
-/- 14,554	Profit appropriation
84	Share-based payments

-/- 13,773	FCF corrected

84   Share-based payments   incorrectly NOT published in FCF by Nedap NV

-/- 86	IN/OUT Credit inst. long-term
783	(Re-)Issuance of shares
-/- 14,554	Profit appropriation
-/- 1,078	**Lease payments, incorrectly published in FCF by Nedap NV**

-/- 14,935	FCF incorrectly published by Nedap NV
30,301	OCF incorrectly published by Nedap NV
-/- 8,268	ICF incorrectly published by Nedap NV
-/- 14,935	FCF incorrectly published by Nedap NV
18,687	Cash and cash equivalents December 31, 2019
29,859	OCF
-/- 9,084	ICF
-/- 13,773	FCF
25,689	Cash and cash equivalents December 31, 2020

The Profit Formula® works always and everywhere. Effective and efficient.
https://ceoworld.biz/2020/06/15/period-profit-measurement-new-formula/

This book harshly criticizes the old formula 'Profit = Total Sales -/- Total Costs'.

You are <u>very poorly trained</u> at all Schools / Universities that ignore *The* Profit Formula®

All companies worldwide also need *The* Profit Formula®

Can be ordered directly: go to your nearest Amazon website, for example www.amazon.nl

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