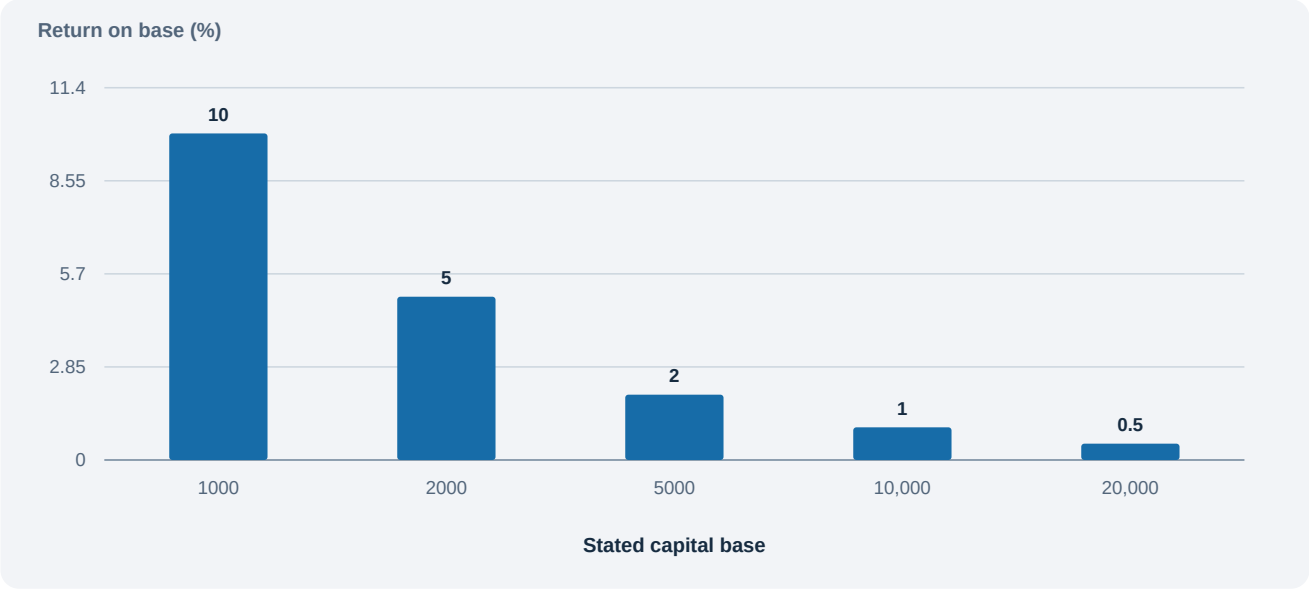
Return on committed capital

Execution arithmetic | Original synthetic example | Edition 2026-11-26

Return on capital compares a net currency result with a stated capital base. Different denominators such as cash paid, margin posted and gross notional answer different questions.

FORMULA Return = net result / stated capital base

SCENARIO 01: Net result 100; the denominator changes the ratio



WORKED EXAMPLE

A result of 100 on a 5,000 stated base is 2%. Keep the denominator consistent in comparisons.

COMMON MISTAKE

Switching from notional to margin after seeing the result makes comparisons inconsistent.

BEFORE YOU USE THE CALCULATION

1. Name the denominator.
2. Use net cash results.
3. Compare like holding periods.

COMPARE TWO MORE INPUT SETS

Scenario 05: Net result 300; the denominator changes the ratio. A result of 300 on a 5,000 stated base is 6%. Keep the denominator consistent in comparisons.

Scenario 10: Net result 550; the denominator changes the ratio. A result of 550 on a 5,000 stated base is 11%. Keep the denominator consistent in comparisons.

Synthetic values are not historical market data. Educational material; trading can result in substantial losses.