Balance Sheet Ratios

Ratio	How to Calculate	What it Means In Dollars and Cents
Current	$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$	Measures solvency: The number of dollars in Current Assets for every $1 in Current Lialilites. For example: a Current Ratio of 1.76 means that for every $1 of Current Liabilities, the company has $1.76 in Current Assets with which to pay them.
Quick	$$\frac{\text{Cash + Accounts Receivable}}{\text{Current Liabilities}}$$	Measures liquidity: The number of dollars in Cash and Accounts Receivable for each $1 in Current Liabilities. For example: a Quick Ratio of 1.14 means that for every $1 of Current Liabilities, the company has $1.14 in Cash and Accounts Receivable with which to pay them.
Debt-to-Worth	$$\frac{\text{Total Liabilities}}{\text{Net Worth}}$$	Measures financial risk: The number of dollars of Debt owed for every $1 in Net Worth. For example: a Debt-to-Worth ratio of 1.05 means that for every $1 of Net Worth that the owners have invested, the company owes $1.05 of Debt to its creditors.

Income Statement Ratios

Ratio	How to Calculate	What it Means In Dollars and Cents
Gross Margin	$$\frac{\text{Gross Profit}}{\text{Sales}}$$	Measures profitability at the Gross Profit level: The number of dollars of Gross Margin produced for every $1 of Sales. For example: a Gross Margin Ratio of 34.4% means that for every $1 of Sales, the company produces 34.4 cents of Gross Profit.
Net Margin	$$\frac{\text{Net Profit Before Tax}}{\text{Sales}}$$	Measures profitability at the Net Profit level: The number of dollars of Net Profit produced for every $1 of Sales. For example: a Net Margin Ratio of 2.9% means that for every $1 of Sales, the company produces 2.9 cents of Net Profit.

Overall Efficiency Ratios

Ratio	How to Calculate	What it Means In Dollars and Cents
Sales-To-Assets	$$\frac{\text{Sales}}{\text{Total Assets}}$$	Measures the efficiency of Total Assets in generating sales: The number of dollars in Sales produced for every $1 invested in Total Assets. For example: a Sales-To-Asset Ratio of 2.35 means that for every $1 invested in Total Assets, the company generates $2.35 in Sales.
Return On Assets	$$\frac{\text{Net Profit Before Tax}}{\text{Total Assets}}$$	Measures the efficiency of Total Assets in generating Net Profit: The number of dollars in Net Profit produced for every $1 invested in Total Assets. For example: a Return on Assets Ratio of 7.1% means that for every $1 invested in Assets, the company is generating 7.1 cents in Net Profit Before Tax.

Return On Investment	$$\frac{\text{Net Profit Before Tax}}{\text{Net Worth}}$$	Measures the efficiency of Net Worth in generating Net Profit: The number of dollars in Net Profit produced for every $1 invested in Net Worth. For example: a Return on Investment Ratio of 16.1% means that for every $1 invested in Net Worth, the company is generating 16.1 cents in Net Profit Before Tax.

Specific Efficiency Ratios

Inventory Turnover	$$\frac{\text{Cost of Goods Sold}}{\text{Inventory}}$$	Measures the rate at which Inventory is being used on an annual basis. For example: an Inventory Turnover Ratio of 9.81 means that the average dollar volume of Inventory is used up almost ten times during the fiscal year.
Inventory Turn-Days	$$\frac{360}{\text{Inventory Turnover}}$$	Converts the Inventory Turnover ratio into an average "days inventory on hand" figure. For example: a Inventory Turn-Days Ratio of 37 means that the company keeps an average of thirty-seven days of Inventory on hand throughout the year.
Accounts Receivable Turnover	$$\frac{\text{Sales}}{\text{Accounts Receivable}}$$	Measures the rate at which Accounts Receivable are being collected on an annual basis. For example: an Accounts Receivable Turnover Ratio of 8.00 means that the average dollar volume of Accounts Recievalbe are collected eight times during the year.
Average Collection Period	$$\frac{360}{\text{A/RTurnover}}$$	Converts the Accounts Receivable Turnover ratio into the average number of days the company must wait for its Accounts Receivable to be paid. For example: an Accounts Receivable Turnover ratio of 45 means that it takes the company 45 days on average to collect its receivables.
Accounts Payable Turnover	$$\frac{\text{Cost of Goods Sold}}{\text{Accounts Payable}}$$	Measures the rate at which Accounts Payable are being paid on an annual basis. For example: an Accounts Payable Turnover ratio of 12.04 means that the average dollar volume of Accounts Payable are paid about twelve times during the year.
Average Payment Period	$$\frac{360}{\text{Accounts Payable Turnover}}$$	Converts the Accounts Payable Turnover ratio into the average number of days that a company takes to pay its Accounts Payable. For example: an Accounts Payable Turnover ratio of 30 means that it takes the company 30 days on average to pay its bills.