Ratio Formulas

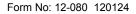
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Current Assets - Current Lia				
Quick Ratio				
A measure of short-term (Cash + Accounts Receivable)	ole Trade Only + Marl			
Current Ratio				
A measure of short-term of				
Current Assets / Current Lia				
/	=			
Solvency Ratio	S:			
Dalet / Equitor				
Debt / Equity A measure of a company'	s financial leverage			
Total Liabilities / Total Shar		wner's Equity = Debt	: / Equity	
	=			
D 14 / EDITO 4				
Debt / EBITDA	eht-naving ability			
A measure of long-term d		e + Federal Income	Taxes + Depreciation	on + Amortizatio
	ne · interest Expens		·	
A measure of long-term d Total Liabilities / (Net Incor = Debt / EBITDA	ne · interest Expens			
Total Liabilities / (Net Incor = Debt / EBITDA / (+	+	+	+



Efficiency Ratio:

•	ays Sales Outstan	•	a company takes	to collect revenue af	ter a sale ha
oeen ma					
(Accoun	ts Receivable Trade	Accounts / Sales) * r	number of days = D	SO	
(/) *	=		
Profit	tability Ratio	os:			
	re of the profitabilit		s products		
	ofit divided by Sales	=			
Γhe prof Gross P	ng Income Margin itability of a compai rofit - Operating Expe	ny's basic business enses) / Sales = Ope	rating Income Mar	gin	
Net Pro An indic Net Incor	fit Margin ator of managemen ne / Sales = Net Prof	t's ability to contro	l costs		
	./ Sales				
	•	• •		ation to sales tion + Amortization) / S	ales
		+	+	+) /
	=	·	·		, ,
Nages /	/ Sales				
An indic	ator of managemen	t's ability to contro	l costs		
Wages -	+ Commissions + Pay	roll Taxes + Health	Insurance + 401k o	contribution) / Sales	
= Wages					
(+	+	+	+)/
	_				





Ratio Calculations

Liquidity Ratios:

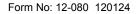
Ratio Name & Significance	Ratio Calculations
Working Capital A measure of short-term debt-paying ability within the next 12 months	
Quick Ratio A measure of short-term debt-paying ability	
Current Ratio A measure of short-term debt-paying ability	

Solvency Ratios:

Ratio Name & Significance	Ratio Calculations
Debt / Equity A measure of a company's financial leverage	
Debt / EBITDA A measure of long-term debt-paying ability	
Interest Coverage An indicator of a company's ability to meet its interest payment obligations and a measurement of long-term credit risk	

Efficiency Ratio:

Ratio Name & Significance	Ratio Calculations
DSO (Days Sales Outstanding) A measure of the average number of days that a company takes to collect revenue after a sale has been made	





Profitability Ratios:

Ratio Name & Significance	Ratio Calculations
Gross Margin A measure of the profitability of the company's products	
Operating Income Margin The profitability of a company's basic business activities	
Net Profit Margin An indicator of management's ability to control costs	
EBITDA / Sales A measurement of the company's profitability or cash flow in relation to sales	
Wages / Sales An indicator of management's ability to control costs	



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