

Name	Formula	Units	Purpose	Value
Current ratio	$= \frac{\text{Current Assets}}{\text{Current Liabilities}}$	\$X in CA for every \$1 in CL or "CI is covered X times"	Measure short-term liquidity	Higher the better (less than 1 is bad indicator) Too high may indicate inefficient use of cash/short term assets
Quick (or Acid Test) ratio	$= \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$	Same as current ratio	Remove somewhat illiquid inventory to see coverage of more liquid current assets	Higher the better
Cash ratio	$= \frac{\text{Cash}}{\text{Current Liabilities}}$	Same as current ratio	Measure short-term liquidity only using most liquid asset – Cash	Higher the better
NWC to total assets	$= \frac{\text{Net Working Capital}}{\text{Total Assets}}$	Percent of assets	Short term liquidity	Higher the better
Interval measure	$= \frac{\text{Current Assets}}{\text{Average Daily Operating costs}}$	Days	Measure how long the business can keep running if cash inflows dry up	Longer the better
Total debt ratio	$= \frac{\text{Total Assets} - \text{Total Equity}}{\text{Total Assets}}$	X percent debt or "\$X in debt for every \$1 in assets"	Measures financial leverage (debt)	Depends on optimal capital structure (topic covered later)
Debt-Equity ratio	$= \frac{\text{Total Debt}}{\text{Total Equity}}$	"Times"	Same as Total debt- Can calculate from total debt ratio	Depends on optimal capital structure (topic covered later)
Equity multiplier	$= \frac{\text{Total Assets}}{\text{Total Equity}}$	"Times"	Same as Total debt- Can calculate from total debt ratio also equal to 1+debt-equity	Depends on optimal capital structure (topic covered later)
Long-term debt ratio	$= \frac{\text{Long term debt}}{\text{Long term debt} + \text{Total Equity}}$	"Times"	Focuses on long-term debt, denominator frequently called "Total capitalization"	Depends on optimal capital structure (topic covered later)
Times interest earned ratio	$= \frac{\text{EBIT}}{\text{Interest}}$	"Times"	How many times can the firm "cover" its interest obligation	Higher is better
Cash coverage ratio	$= \frac{\text{EBIT} + \text{Depreciation}}{\text{Interest}}$	"Times"	Adds deprecation back in due to it being a non-cash item. Numerator known as EBITD	Higher is better
Inventory turnover	$= \frac{\text{Costs of goods sold}}{\text{Inventory}}$	"Times"	How many times the firm sold off or "turned over" inventory.	Higher = more efficient
Days' sales in inventory	$= \frac{365 \text{ days}}{\text{Inventory Turnover}}$	Days	How long, on average, to turn over inventory. Therefore it will take X days to work off current inventory	Lower is better
Receivables (A/R) turnover	$= \frac{\text{Sales}}{\text{Accounts receivable}}$	"Times"	How many times the firm collected and re-loaned outstanding credit accounts.	Higher is better
Days' sales in receivable OR A/R Days	$= \frac{365 \text{ days}}{\text{Receivables Turnover}}$	Days	Convert above to days. Collects on its credit in X days. Aka "Average collection period". Also X days worth of sales uncollected	Lower is better. Convert credit quickly.
A/P Turnover	$= \frac{\text{Cost of Goods Sold}}{\text{Accounts Payable}}$	"Times"	How many times the firm paid off its accounts payable.	Higher
Days Payables outstanding or A/P Turnover Days	$= \frac{365 \text{ days}}{\text{AP Turnover}}$	Days	How many days to pay off its bills	Higher

Cash Conversion Cycle	= Days' sales in inventory + Days' sales in receivable - Days Payables outstanding	Days	The length of time (in days) that it takes for a company to convert its investments in inventory and other resources into cash flows from sales	Lower
NWC turnover	$= \frac{Sales}{NWC}$	"Times"	How much "work" (sales) we get out of net working capital	Higher
Fixed asset turnover	$= \frac{Sales}{Net\ Fixed\ Assets}$	For every \$1 in Fixed Assets firm generate \$X	How much sales do you get out of fixed assets.	Higher
Total asset turnover	$= \frac{Sales}{Total\ Assets}$	"Times" or For every \$1 in assets firm generate \$X	How much sales do you get out of assets.	Higher
Gross Profit margin	$= \frac{Gross\ Profit}{Sales}$	Percent or X in gross profit per dollar in sales	How much gross profit you keep from revenues	Higher
Operating Profit margin	$= \frac{Operating\ profit}{Sales}$	Percent or X in operating profit per dollar in sales	How much operating profit you keep from revenues	Higher
Profit margin	$= \frac{Net\ Income}{Sales}$	Percent or X in profit per dollar in sales	How much profit you keep from revenues	Higher
Return on (book)asset(ROA)	$= \frac{Net\ Income}{Total\ Assets}$	Percent or X in profit per dollar of assets	How much profit is generated from assets	Higher
Return on (book) Equity (ROE)	$= \frac{Net\ Income}{Total\ Equity}$	Percent or X in profit per dollar of equity	Bottom line measure of performance. How well did stockholders fare.	Higher
Earnings per share (EPS)	$= \frac{Net\ Income}{Shares\ outstanding}$	Dollars	Indicator of profitability. Portion of profits allocated to each share	Higher
Price to Earnings(PE) ratio (multiple)	$= \frac{Price\ per\ share}{Earnings\ per\ share}$	"X times earnings" or carry a PE multiple of X	How much investors are willing to pay per dollar of current earnings	Typically fall in 15-20 range for large companies.
(forward or trailing) PEG ratio	$= \frac{PE\ ratio}{Expected\ growth\ rate(\%)}$	X	Stock's value taking into account growth	Lower means undervalued. Rule of thumb is below one is more desirable.
Price-sales ratio	$= \frac{Price\ per\ share}{Sales\ per\ share}$ or $= \frac{Market\ cap}{Sales(Revenue)}$	"X time revenue or sales"	How much investors are willing to pay per dollar of current sales	Depends on industry
Market-to-book ratio	$= \frac{Market\ value\ per\ share}{Book\ value\ per\ share}$	"times"	Compares market value of investments to cost.	Under 1 means undervalued and over 1 means overvalued.
Tobin's Q ratio	$= \frac{Market\ value\ of\ assets}{Replacement\ cost\ of\ assets}$	Firm has a Q ratio of X.	What the firm is worth compared to what it would cost to replace it	Higher indicates good investment opportunities or significant competitive advantage.
Enterprise value	= Total market value of the stock + Book value of liabilities – Cash	\$	Estimate of market value of operating assets	Higher
EBITDA ratio	$= \frac{Enterprise\ value}{EBITDA}$	X EBITDA multiple	Similar to PE. Related value of operating assets to operating cash flows	Higher (Theoretical takeover price)