**BUS7C2 Key Ratio Sheet**

**Profitability**

**Operating profit margin = Operating profit (Before tax and interest)/ Sales revenue x 100%**

Note: In some cases, EBIT (earnings before interest and tax) is also referred to as operating profit, operating earnings, or profit before interest and taxes.

**Gross profit margin = Gross profit/ Sales revenue x 100%**

**Return on Capital Employed (ROCE) = operating profit/ capital employed x 100%**

***(NB capital employed = Share capital + reserves + non-current liabilities)***

**Efficiency**

**Average Inventories’ turnover period = Average inventories held/ cost of sales x 365**

**Average settlement period for Receivables = Average trade receivables/ credit sales revenue x 365**

**Average settlement period for Payables = Average trade payables/ credit purchases x 365**

**Liquidity**

**Current ratio = current assets/ current liabilities**

**Acid test = current assets (excluding inventories)/ current liabilities**

**Gearing**

**Gearing = Long-term (non-current) liabilities/ Total Capital Employed x 100%**

***(NB. Total capital employed = Share capital + reserves + Long-term (non-current) liabilities)***

**Investor ratios**

**Earnings per share = Earnings available to ordinary shareholders ÷ Number of ordinary shares in issue**

**(Earnings per share = Profit after tax (PAT) ÷ No of Shares Issued)**

**Dividend cover = Earnings for the year available for dividend ÷ dividends announced for the year**

**(Dividend cover = Profit after tax (PAT) ÷ dividend (often around 2x))**