

Full Version

CATEGORY	RATIO	FORMULA	EXPLANATION	IDEAL RANGE
Efficiency Ratios	Inventory Turnover	Cost of Goods Sold / Average Inventory	How many times a company's inventory is sold and replaced over a period.	Varies
	Asset Turnover	Sales / Total Assets	Measures a firm's efficiency at using its assets in generating sales.	Varies
Liquidity Ratios	Current Ratio	Current Assets / Current Liabilities	Measures a company's ability to pay its short-term obligations.	1.5 - 2.0
	Quick Ratio	(Cash & Equivalents + Accounts Receivable) / Current Liabilities	Measures a company's ability to pay its current liabilities without needing to sell its inventory or obtain additional financing.	1.0 - 1.5
Coverage Ratios	Interest Coverage Ratio	EBIT / Interest Expenses	How easily a company can pay interest on its outstanding debt.	> 1.5
Profitability Ratios	Return on Assets (ROA)	Net Income / Total Assets	How efficiently a company uses its assets to generate income.	> 5%
	Return on Equity (ROE)	Net Income / Shareholder's Equity	How efficiently a company uses its equity to generate income.	> 15%
	Gross Margin	Gross Profit / Revenue	How much out of every dollar of sales a company keeps as gross profit.	> 40%
	Net Profit Margin	Net Income / Revenue	How much out of every dollar of sales a company keeps as earnings.	> 10%
Dividend Ratios	Dividend Payout Ratio	Dividends / Net Income	The proportion of earnings paid to shareholders as dividends.	30% - 70%
	Dividend Yield	Annual Dividends per Share / Price per Share	How much a company returns in dividends each year relative to its share price.	2% - 4%
Leverage Ratios	Debt to Equity Ratio	Total Debt / Total Equity	Compares a company's total debt with its total equity	< 2.0

Market Value Ratios	Earnings Per Share (EPS)	Net Income / Shares Outstanding	Profit allocated to each share of common stock.	Positive Value
	Price to Earnings Ratio (P/E)	Stock Price / Earnings Per Share	The market value currently being assigned to the company's earnings.	15 -25
	Price to Sales (P/S)	Stock Price / Sales Per Share	The market value currently being assigned to the company's sales.	< 3.0