**WEEK 5**

**Class 9**

**Updates**

**Topic**

**Review**

Return on Equity

* How much income is generated with money invested

Return on assets

* is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage.

Quick and Current Ratios

* The [current ratio](http://www.investopedia.com/terms/c/currentratio.asp) is a financial ratio that investors and analysts use to examine the liquidity of a company and its [ability to pay](http://www.investopedia.com/terms/a/abilitytopay.asp) short-term liabilities (debt and payables) with its short-term assets (cash, inventory, receivables). The current ratio is calculated by dividing [current assets](http://www.investopedia.com/terms/c/currentassets.asp) by [current liabilities](http://www.investopedia.com/terms/c/currentliabilities.asp).
* The [quick ratio](http://www.investopedia.com/terms/q/quickratio.asp), on the other hand, is a liquidity indicator that filters the current ratio by measuring the amount of the most liquid current assets there are to cover current liabilities (you can think of the “quick” part as meaning assets that can be liquidated fast). The quick ratio, also called the “acid-test ratio,” is calculated by adding cash & equivalents, marketable investments and accounts receivables, and dividing that sum by current liabilities.
* The main difference between the current ratio and the quick ratio is that the latter offers a more conservative view of the company’s ability to meets its short-term liabilities with its short-term assets because it does not include inventory and [other current assets](http://www.investopedia.com/terms/o/othercurrentassets.asp) that are more difficult to liquidate (i.e., turn into cash). By excluding inventory (and other less liquid assets) the quick ratio focuses on the company’s more [liquid assets](http://www.investopedia.com/terms/l/liquidasset.asp).
* Read more: [What are the main differences between the current ratio and the quick ratio? | Investopedia](http://www.investopedia.com/ask/answers/062714/what-are-main-differences-between-current-ratio-and-quick-ratio.asp#ixzz4wGvN4Leb) <http://www.investopedia.com/ask/answers/062714/what-are-main-differences-between-current-ratio-and-quick-ratio.asp#ixzz4wGvN4Leb>   
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**Assignments**

