

3.6 Efficiency ratio analysis (HL)

Checklist

What you should know

By the end of this subtopic, you should be able to:

- define the following terms: (AO1)
 - efficiency ratio
 - stock turnover ratio
 - debtor days
 - creditor days
 - gearing ratio
 - insolvency
 - bankruptcy
- explain and calculate efficiency ratios: stock turnover, debtor days, creditor days and gearing ratio (AO2, AO4)
- evaluate possible strategies to improve efficiency ratios (AO3)
- distinguish between insolvency and bankruptcy (AO2)