INTERPRETING FINANCIAL RATIOS: Below is a list of possible reasons it may be good or bad that each ratio is higher or lower than the industry. Note that the list is not exhaustive, but merely one possible explanation for each category.

Ratio	**High Value**		**Low Value**	
	Good	***Bad***	***Good***	***Bad***
Current ratio	Better at managing current accounts.	Opportunity cost of holding cash is forgone investment opportunities. Also, it may be an indicator of inventory pile up	If supported with strong operating cash flow, low values may not be a red flag	May be having liquidity problems.
Quick ratio	Better at managing current accounts.	Opportunity cost of holding cash is forgone investment opportunities	If supported with strong operating cash flow, low values may not be a red flag	May be having liquidity problems.
Total asset turnover	Better at utilizing assets.	Assets may be older and depreciated, requiring extensive investment soon.	If assets are just replaced, this may explain a low value.	May be inefficient in asset utilization.
Inventory turnover	Implying either high sales, low inventory or a combination, further implying good inventory management.	Could be experiencing inventory shortages.	Possibly no inventory shortages.	Either low sales or inventory pile up or a combination of the two.
Receivables turnover	Better at collecting receivables.	May have credit terms that are too strict. Decreasing receivables turnover may increase sales.	If bad debt is not arising, lax sale on credit policies may lead to increased sales.	Not good at collecting receivables.
Total debt ratio	Increasing the amount of debt can increase shareholder returns. Especially notice that it will increase ROE.	May run into problems in pay high levels of debt.	Less debt than industry median means the company is less likely to experience credit problems	Maybe forgoing growth opportunities by being reluctant to get into debt.
Debt/Equity	Same as Total Debt Ratio			
Equity Mult.	Same as Total Debt Ratio			
Interest coverage	Less debt than industry median means the company is less likely to experience credit problems.	Maybe forgoing growth opportunities by being reluctant to get into debt.	Increasing the amount of debt can increase shareholder returns. Especially notice that it will increase ROE.	Either sales are low or debt obligations are too high.
Profit margin	The PM is above the industry median, so it is performing better than many peers.			May be inefficient in controlling costs.
ROA	Company is performing above many of its peers.	Assets may be old and depreciated relative to industry.	Assets may maybe just replaced leading to high book values of assets.	Low efficiency, lacking sales or high costs.
ROE	Company is performing above many of its peers.	Too much debt compared to equity.	Maybe using less debt financing. Room to increase PM and EM, would further increase ROE.	Low efficiency, lacking sales or high costs.
PE Ratio	Market Valuation is high. Company stock is in demand.	Overvalued.	Earnings high and not realized by the market yet.	Market does not put much value into future growth opportunities of the company.