Balance Sheet Metrics

Cheat Sheet

TheFinController.com

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BuyItNow, Inc.
Balance Sheet
For the year ended December 31, 2019

Assets	
Current Assets:	
Cash & Cash Equivilants	$1,000,000
Accounts Receivable	$2,000,000
Inventory	$500,000
Total Current Assets	**$3,500,000**
Other Assets:	
Property, Plant & Equipment	$2,000,000
Total Assets	**$5,500,000**
Liabilities	
Current Liabilities:	
Accounts Payable	$1,500,000
Accrued Expenses	$150,000
Deferred Revenue	$250,000
Total Current Liabilities	**$1,900,000**
Non-Current Liabilites	
Long Term Debt	$2,000,000
Total Liabilities	**$3,900,000**
Shareholder's Equity	**$1,600,000**
Total Liabilities & Equity	**$5,500,000**

BuyItNow, Inc.
Income Statement
For the month ended December 31, 2019

Sales	**$2,000,000**
Cost of Revenue	$1,200,000
Gross Profit	**$800,000**
Operating Expenses	
Genenal, Selling & Administrative	$400,000
Research & Developement	$150,000
Sales & Marketing	$120,000
Total Operating Expenses	**$670,000**
EBITDA	**$130,000**
(Earnings Before Interest, Tax, Depreciation & Amortization)	
Interest Expense	$20,000
Depreciation	$30,000
Taxes	$20,000
Total Non-operating Expenses	**$70,000**
Net Income	**$60,000**

Liquidity Ratios	Purpose: To measure.....	Formula	Calculations	Result	Good/Poor/ Depends	Explanation
Quick Ratio	Ability to meet short-term obligations using "Quick" to liquidate assets	Current Assets (-) Inventory / Current Liabilities	3,500,000 - 500,000 / 1,900,000	1.6	Good	Needs to be higher than 1 to indicate company has enough "Quick" funding to meet short-term obligations
Current Ratio	Ability to meet short-term obligations using its current assets	Current Assets / Current Liabilities	3,500,000 / 1,900,000	1.8	Good	Needs to be higher than 1 to indicate company has enough funding to meet short-term obligations
Days Sales Outstanding	The number of days it takes to convert sales to cash	Accounts Receivable / Credit Sales x # of days in period	2,000,000 / 2,000,000 x 31	31	Good	Should be between 30 - 45 days as a standard avg days across industries

Solvency Ratios	Purpose: To measure.....	Formula	Calculations	Result	Good/Poor/ Depends	Explanation
Debt/Equity Ratio	the relative proportion of shareholders' equity and debt used to finance a company's assets	Liabilities / Equity	3,900,000 / 1,600,000	2.4	Depends	The company uses ~2.5x more debt than stock sales to finance its business. This could be a sign of too much leverage, but might be ok if taking advantage of low interest rates.
Interest Coverage Ratio	How many times can cover interest payment from earnings in a given period	EBIT (earnings before interest and tax) / Interest Expense	90,000 / 20,000	4.5	Good	Indicates the company can cover its interest payment 4.5 times over from its earnings
Solvency Ratio	Measures company's ability to use its cash flow to meet its obligations	Net Income + Depreciation / Total Liabilities	60,000 + 30,000 / 3,900,000	0.02	Poor	In this example we used a monthly net income, but if you use annual income (better representation), you will get a 0.28 ratio. Still you want that above 1 to be good.

Financial Leverage Ratios	Purpose	Formula	Calculations	Result	Good/Poor/ Depends	Explanation
Debt/Capital Ratio	Measures the amount of debt capital relevant to TOTAL Capital	Debt / (Debit + Equity)	2,000,000 / (2,000,000 + 1,600,000)	0.6	Good	This means that Debt is 0.6 or 60% of total capital raised. This ratio can go up if it's cheaper for the company to raise capital via debt vs. selling stock.
Debt/Asset Ratio	Measures how much of company's assets are is financed by Debt	Total Debt/Total Assets	2,000,000 / 5,500,000	0.4	Good	This indicates that 40% of assets is financed by debt.
Financial Leverage Ratio	Measures the amount of Total Assets that's supported by Equity	Total Assets / Total Equity	5,500,000 / 1,600,000	3.4	Depends	Normally this is too high and should be 1-2 but if the company can make use of low interest on debt plus long vendor payment windows, then it might be ok.