



Ratios list

Financial Accounting (Concordia University)



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P.705 - Exhibit 13.4 (Modified)

Ratio		
Tests of Profitability		Basic Computation
1. Return on equity (ROE)	Chapter 4	$\frac{\text{Net Earnings}}{\text{Average Shareholders' Equity}}$
2. Return on assets (ROA)	Chapter 3	$\frac{\text{Net Earnings} + \text{Interest Expense (net of tax)}}{\text{Average Total Assets}}$
3. Earnings per share (EPS) ratio	Chapter 12	$\frac{\text{Net Earnings Available to Common Shareholders}}{\text{Average Number of Common Shares Outstanding}}$
4. Quality of earnings	Chapter 5	$\frac{\text{Cash Flows from Operating Activities}}{\text{Net Earnings}}$
5. Net profit margin ratio	Chapter 4	$\frac{\text{Net Earnings}}{\text{Net Sales}}$
6. Fixed asset turnover ratio	Chapter 9 (Efficiency)	$\frac{\text{Net Sales}}{\text{Average Net Fixed Assets}}$
Tests of Liquidity (short-term)		
7. Cash ratio	Chapter 13	$\frac{\text{Cash} + \text{Cash Equivalents}}{\text{Current Liabilities}}$
8. Current ratio	Chapter 2	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
9. Quick ratio	Chapter 10	$\frac{\text{Quick Assets}}{\text{Current Liabilities}}$
10. Receivables turnover ratio	Chapter 7 (Efficiency)	$\frac{\text{Net Credit Sales}}{\text{Average Net Trade Receivables}}$
11. Inventory turnover ratio	Chapter 8 (Efficiency)	$\frac{\text{Cost of Sales}}{\text{Average Inventory}}$
12. Trade payables turnover ratio	Chapter 10 (Efficiency)	$\frac{\text{Cost of Sales}}{\text{Average Net Trade Payables}}$
Tests of Solvency		
13. Times interest earned ratio (short-term)	Chapter 11	$\frac{\text{Net Earnings} + \text{Interest Expense} + \text{Income Tax Expense}}{\text{Interest Expense}}$
14. Cash coverage ratio (short-term)	Chapter 13	$\frac{\text{Cash Flows from Operating Activities (before Interest and Taxes)}}{\text{Interest Paid}}$
15. Debt-to-equity ratio (long-term)	Chapter 11	$\frac{\text{Total Liabilities}}{\text{Shareholders' Equity}}$
Market Tests		
16. Price/earnings ratio	Chapter 13	$\frac{\text{Current Market Price per Share}}{\text{Earnings per Share}}$
17. Dividend yield ratio	Chapter 12	$\frac{\text{Dividends per Share}}{\text{Market Price per Share}}$