BUS-123 Spring 2013 **Financial Ratios** Name: Instr: F. Paiano **Common Stock Ratios:** (a.k.a. Market Ratios) price / earnings ratio = market price of common stock / earnings per share (income statement) (a.k.a. PE, P/E)price / earnings to growth ratio = stock's P/E ratio / 3 or 5 year growth rate in earnings (income statement) (a.k.a. PEG ratio) dividends per share = annual dividends / number of shares outstanding (income statement) dividend yield = dividends per share / market price per share dividend payout ratio = dividends per share / earnings per share (income statement) book value = common stockholders' equity / number of shares outstanding (balance sheet) (a.k.a. book value per share) price-to-book-value per share = market price per share / book value per share (balance sheet) price-to-cash flow per share = market price per share / cash flow per share (income statement) price-to-sales per share = market price per share / sales per share (income statement) **Profitability Ratios:** net profit margin = net income (a.k.a. net profit after taxes) / total revenue (a.k.a. net sales) (income statement) gross margin = gross profit / total revenue (*a.k.a. net sales*) (income statement) operating margin = operating income (a.k.a. oper inc or loss) / total revenue (a.k.a. net sales) (income statement) return on assets = net income (a.k.a. net profit after taxes) / total assets(balance sheet and (a.k.a. ROA) income statement) return on equity = net income (a.k.a. net profit after taxes) / total stockholders' equity (balance sheet and (a.k.a. ROE, return on investment, ROI) income statement) **Liquidity Ratios:** current ratio = current assets / current liabilities (balance sheet) net working capital = current assets - current liabilities (balance sheet) acid test ratio = (cash + accts rcv + short-term investments + other current assets) / current liabilities (balance sheet) (a.k.a. quick ratio) **Activity Ratios:** accounts receivable turnover = total revenue (a.k.a. annual sales) / accounts receivable(balance sheet and income statement) inventory turnover = total revenue (*a.k.a. annual sales*) / inventory (balance sheet and income statement) total asset turnover = total revenue (a.k.a. annual sales) / total assets(balance sheet and income statement) **Leverage Ratios:**

debt-equity ratio = long-term debt / total stockholders' equity(balance sheet)times interest earned = earnings before interest and taxes / interest expense(income statement)total debt to total assets = total liabilities (a.k.a. debt) / total assets(balance sheet)