

	[Company Name]	# You Want	Actual #		Industry Avg
			PY	CY	
<ul style="list-style-type: none"> <li><b>Leverage Ratios</b> <ul style="list-style-type: none"> <li>~ inversely related to ROA</li> </ul> </li> </ul>					
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Debt Ratio</b> = <math>(LT\ Debt + Leases) / (LT\ Debt + Leases + Equity)</math> <ul style="list-style-type: none"> <li>- measures financial leverage</li> <li>- focus = B/V (not MV) b/c more conservative to exclude illiquid intangibles</li> </ul> </li> </ul> </li> </ul>		Low			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>D/E Ratio</b> = <math>(LT\ Debt + ST\ Debt + Leases) / (LT\ Debt + ST\ Debt + Leases + Equity)</math> <ul style="list-style-type: none"> <li>- measures financial leverage</li> </ul> </li> </ul> </li> </ul>		Low			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Debt - Assets Ratio</b> = <math>(Total\ Liab) / Total\ Assets</math></li> </ul> </li> </ul>		Low			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Coverage Ratios</b> <ul style="list-style-type: none"> <li>- focus on C/F (rather than B/S) and ability to service debt</li> <li>- remember consistency for before tax amounts</li> </ul> </li> </ul> </li> </ul>					
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>- <b>Times Interest Earned</b> = <math>(EBIT + Depreciation) / Interest</math> <ul style="list-style-type: none"> <li>- measures how much room b/w int oblig and earnings resources</li> </ul> </li> </ul> </li> </ul> </li> </ul>		High			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>- <b>Times Burden Covered</b> = <math>EBIT / [Interest + (Principal\ repay / 1-Tax\ rate)]</math> <ul style="list-style-type: none"> <li>- principal repay grossed up before taxes to reflect amount of pre-tax income needed to cover</li> </ul> </li> </ul> </li> </ul> </li> </ul>		High			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Market Value Leverage Ratios</b> = <math>Debt / MV\ of\ Equity</math> <u>or</u> <math>Debt / MV\ of\ Assets</math> (different) <ul style="list-style-type: none"> <li>- superior to B/V ratios b/c use current values</li> </ul> </li> </ul> </li> </ul>		Low			
<ul style="list-style-type: none"> <li><b>Liquidity Ratios</b> <ul style="list-style-type: none"> <li>- measure how quickly cash c/b raised</li> <li>- liquid assets = BETTER measure of value than illiquid</li> </ul> </li> </ul>					
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>NWC to Total Assets</b> = <math>(CA - CL) / Total\ Assets</math></li> </ul> </li> </ul>		Positive			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Current Ratio</b> = <math>CA / CL</math> <ul style="list-style-type: none"> <li>- look for rapid changes over time</li> </ul> </li> </ul> </li> </ul>		High			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Quick (Acid Test) Ratio</b> = <math>(cash + ST\ Securities + A/R) / CL</math> <ul style="list-style-type: none"> <li>- measures value available in an emergency</li> </ul> </li> </ul> </li> </ul>		High			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Cash Ratio</b> = <math>(cash + ST\ Securities) / CL</math></li> </ul> </li> </ul>		High			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Interval Measure</b> = <math>(Cash + ST\ Securities + A/R) / (costs\ from\ operations / 365)</math></li> </ul> </li> </ul>		High			
<ul style="list-style-type: none"> <li><b>Efficiency Ratios</b></li> </ul>					
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Sales to Assets Ratio (Asset T/O)</b> = <math>sales / avg\ total\ assets</math> <ul style="list-style-type: none"> <li>- measures capital intensity (~ shows how effectively firm's assets being put to use)</li> <li>- interpretation - high # = either (i) efficient asset use or (ii) firm working close to capacity (expansion costly?) or (iii) produces better mix of products (high volume / low margin)</li> </ul> </li> </ul> </li> </ul>		High			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Sales to NWC</b> = <math>Sales / avg\ NWC</math> <ul style="list-style-type: none"> <li>- measures dependency on current assets (which change most quickly + represent source of cash when things go wrong)</li> <li>- should follow trend of sales</li> <li>- control ratios ~ Asset T/O for specific asset (specific asset / net sales)</li> </ul> </li> </ul> </li> </ul>		High			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Days in Inventory</b> = <math>avg\ inventory / (CoGS / 365)</math> <ul style="list-style-type: none"> <li>- measures how quickly firm turns over inventory</li> </ul> </li> </ul> </li> </ul>		Low			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Inventory T/O</b> = <math>CoGS / Avg\ Inventory</math> <ul style="list-style-type: none"> <li>- measures how long items sit in inventory</li> </ul> </li> </ul> </li> </ul>		High			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Avg Collection Period</b> = <math>avg\ A/R / (credit\ sales / 365)</math> <ul style="list-style-type: none"> <li>- measures how quickly customers pay bills (or how many days credit sales in A/R)</li> </ul> </li> </ul> </li> </ul>		Low			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Receivables T/O</b> = <math>Sales / Avg\ A/R</math></li> </ul> </li> </ul>		High			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Days Sales in Cash</b> = <math>Cash\ \&amp;\ Securities / (Sales / 360)</math> <ul style="list-style-type: none"> <li>- measures the amount of cash / securities on hand (in terms of sales / day)</li> </ul> </li> </ul> </li> </ul>		Low			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Payables Period</b> = <math>A/P / (Credit\ Purchases / 360)</math> <u>or</u> <math>A/P / (COGS / 360)</math></li> </ul> </li> </ul>					
<ul style="list-style-type: none"> <li><b>π Ratios</b></li> </ul>					
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Net π Margin</b> = <math>(EBIT - tax) / sales</math> (~ net income / sales) <ul style="list-style-type: none"> <li>- proportion of sales that finds its way to π</li> <li>- remember - when comparing firms --&gt; consider as if both were all equity financed (i.e., add back interest tax shield to taxes)</li> <li>- tends to vary inversely to Asset T/O (b/c adding much value to product requires large asset base)</li> </ul> </li> </ul> </li> </ul>		High			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>ROA (~ ROI)</b> = <math>(EBIT - tax) / avg\ total\ assets</math> <ul style="list-style-type: none"> <li>- measures how efficiently company employs / manages assets</li> <li>- interpretation - low # - not necessarily bad b/c calculation is based on BV (i.e., low ROA does not indicate if assets c/h/b employed more profitably in other activities)</li> <li>- remember - when comparing b/w firms --&gt; add back interest tax shield (see Net π Margind adjustment above)</li> </ul> </li> </ul> </li> </ul>		High			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>ROE</b> = <math>Earnings\ available\ for\ Common\ S/H / avg\ equity</math> <ul style="list-style-type: none"> <li>- measures efficiency at employing capital</li> <li>- only 3 ways to alter - π margin + asset turnover + financial leverage</li> </ul> </li> </ul> </li> </ul>		High			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Payout Ratio</b> = <math>dividends / earnings</math> <ul style="list-style-type: none"> <li>- measures % of earnings paid out as dividends</li> </ul> </li> </ul> </li> </ul>		Depends			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Gross Margin</b> = <math>Gross\ \pi / sales</math> <ul style="list-style-type: none"> <li>- measures revenue contribution to FC</li> </ul> </li> </ul> </li> </ul>		High			
<ul style="list-style-type: none"> <li><b>Market-Value Ratios</b></li> </ul>					
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>P/E</b> = <math>stock\ P / earnings\ per\ sh</math></li> </ul> </li> </ul>		High			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Dividend Yield</b> = <math>dividend\ per\ share / stock\ P</math></li> </ul> </li> </ul>		Depends			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ <b>Market to Book Ratio</b> = <math>stock\ P / BV\ per\ share</math> <ul style="list-style-type: none"> <li>- BV per share = equity / number of shs outstanding</li> </ul> </li> </ul> </li> </ul>		High			