

Name	Formula	Units	Purpose	Value
Current ratio	$= \frac{\text{Current Assets}}{\text{Current Liabilities}}$	\$X in CA for every \$1 in CL or "CI is covered X times"	Measure short-term liquidity	Higher the better (less than 1 is bad indicator) Too high may indicate inefficient use of cash/short term assets
Quick (or Acid Test) ratio	$= \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$	Same as current ratio	Remove somewhat illiquid inventory to see coverage of more liquid current assets	Higher the better
Cash ratio	$= \frac{\text{Cash}}{\text{Current Liabilities}}$	Same as current ratio	Measure short-term liquidity only using most liquid asset – Cash	Higher the better
NWC to total assets	$= \frac{\text{Net Working Capital}}{\text{Total Assets}}$	Percent of assets	Short term liquidity	Higher the better
Interval measure	$= \frac{\text{Current Assets}}{\text{Average Daily Operating costs}}$	Days	Measure how long the business can keep running if cash inflows dry up	Longer the better
Total debt ratio	$= \frac{\text{Total Assets} - \text{Total Equity}}{\text{Total Assets}}$	X percent debt or "\$X in debt for every \$1 in assets"	Measures financial leverage (debt)	Depends on optimal capital structure (topic covered later)
Debt-Equity ratio	$= \frac{\text{Total Debt}}{\text{Total Equity}}$	"Times"	Same as Total debt- Can calculate from total debt ratio	Depends on optimal capital structure (topic covered later)
Equity multiplier	$= \frac{\text{Total Assets}}{\text{Total Equity}}$	"Times"	Same as Total debt- Can calculate from total debt ratio also equal to 1+debt-equity	Depends on optimal capital structure (topic covered later)
Long-term debt ratio	$= \frac{\text{Long term debt}}{\text{Long term debt} + \text{Total Equity}}$	"Times"	Focuses on long-term debt, denominator frequently called "Total capitalization"	Depends on optimal capital structure (topic covered later)
Times interest earned ratio	$= \frac{\text{EBIT}}{\text{Interest}}$	"Times"	How many times can the firm "cover" its interest obligation	Higher is better
Cash coverage ratio	$= \frac{\text{EBIT} + \text{Depreciation}}{\text{Interest}}$	"Times"	Adds deprecation back in due to it being a non-cash item. Numerator known as EBITD	Higher is better
Inventory turnover	$= \frac{\text{Costs of goods sold}}{\text{Inventory}}$	"Times"	How many times the firm sold off or "turned over" inventory.	Higher = more efficient
Days' sales in inventory	$= \frac{365 \text{ days}}{\text{Inventory Turnover}}$	Days	How long, on average, to turn over inventory. Therefore it will take X days to work off current inventory	Lower is better
Receivables turnover	$= \frac{\text{Sales}}{\text{Accounts receivable}}$	"Times"	How many times the firm collected and re-loaned outstanding credit accounts.	Higher is better
Days' sales in receivable	$= \frac{365 \text{ days}}{\text{Receivables Turnover}}$	Days	Convert above to days. Collects on its credit in X days. Aka "Average collection period". Also X days worth of sales uncollected	Lower is better. Convert credit quickly.
NWC turnover	$= \frac{\text{Sales}}{\text{NWC}}$	"Times"	How much "work" (sales) we get out of net working capital	Higher
Fixed asset turnover	$= \frac{\text{Sales}}{\text{Net Fixed Assets}}$	For every \$1 in Fixed Assets firm generate \$X	How much sales do you get out of fixed assets.	Higher
Total asset turnover	$= \frac{\text{Sales}}{\text{Total Assets}}$	"Times" or For every \$1 in assets firm generate \$X	How much sales do you get out of assets.	Higher

Profit margin	$= \frac{\text{Net Income}}{\text{Sales}}$	Percent or X in profit per dollar in sales	How much profit you keep from earnings	Higher
Return on (book)asset(R OA)	$= \frac{\text{Net Income}}{\text{Total Assets}}$	Percent or X in profit per dollar of assets	How much profit is generated from assets	Higher
Return on (book) Equity (ROE)	$= \frac{\text{Net Income}}{\text{Total Equity}}$	Percent or X in profit per dollar of equity(Accounting equity)	Bottom line measure of performance. How well did stockholders fare.	Higher
Earnings per share (EPS)	$= \frac{\text{Net Income}}{\text{Shares outstanding}}$	Dollars	Indicator of profitability. Portion of profits allocated to each share	Higher
Price to Earnings(PE) ratio (multiple)	$= \frac{\text{Price per share}}{\text{Earnings per share}}$	“X times earnings” or carry a PE multiple of X	How much investors are willing to pay per dollar of current earnings	Typically fall in 15-20 range for large companies.
(forward or trailing) PEG ratio	$= \frac{\text{PE ratio}}{\text{Expected growth rate(\%)}}$	X	Stock’s value taking into account growth	Lower means undervalued. Rule of thumb is below one is more desirable.
Price-sales ratio	$= \frac{\text{Price per share}}{\text{Sales per share}}$ or $= \frac{\text{Market cap}}{\text{Sales(Revenue)}}$	“X time revenue or sales”	How much investors are willing to pay per dollar of current sales	Depends on industry
Market-to-book ratio	$= \frac{\text{Market value per share}}{\text{Book value per share}}$	“times”	Compares market value of investments to cost.	Under 1 means undervalued and over 1 means overvalued.
Tobin’s Q ratio	$= \frac{\text{Market value of assets}}{\text{Replacement cost of assets}}$ Or (same things) $= \frac{\text{Market value of debt and equity}}{\text{Replacement cost of assets}}$	Firm has a Q ratio of X.	What the firm is worth compared to what it would cost to replace it	Higher indicates good investment opportunities or significant competitive advantage.
Enterprise value	$= \text{Total market value of the stock} + \text{Book value of liabilities} - \text{Cash}$	\$	Estimate of market value of operating assets	Higher
EBITDA ratio	$= \frac{\text{Enterprise value}}{\text{EBITDA}}$	X EBITDA multiple	Similar to PE. Related value of operating assets to operating cash flows	Higher (Theoretical takeover price)