

Accounting Ratio

Income Statement:

Sales	x		
- COGS	(x)	→	<u>COGS Ratio</u> $\frac{\text{COGS}}{\text{Sales}} \times 100$
Gross Profit	x	→	<u>Gross Profit Ratio:</u> $\frac{\text{Gross Profit}}{\text{Sales}} \times 100$
• Operating Expenses .			
Administration OH	x		
S&D OH	x	(x)	→ <u>Operating Expense Ratio</u> $\frac{\text{Administration} + \text{S\&D}}{\text{Sales}} \times 100$
EBIT	x		
Interest	(x)		
Tax	(x)		
Net Profit	x		
			<u>Operating Ratio</u> $\frac{\text{COGS} + \text{Administration} + \text{S\&D}}{\text{Sales}} \times 100$
		↙	<u>Net Profit Ratio:</u> $\frac{\text{Net Profit}}{\text{Sales}} \times 100$
		↓	<u>Operating Profit Ratio</u> $\frac{\text{Operating Profit (EBIT)}}{\text{Sales}} \times 100$

Capital Gearing Ratio:

$$\text{Capital Gearing Ratio} = \frac{\text{Preference Share Capital} + \text{Debentures} + \text{Other Borrowed funds}}{\text{Equity Share Capital} + \text{Reserves \& Surplus - Losses}}$$

Proprietary Ratio:

$$\text{Proprietary Ratio} = \frac{\text{Proprietary Fund}}{\text{Total Assets}}$$

Proprietary fund includes Equity Share Capital, Preference Share Capital and Reserve & Surplus.

Total assets exclude fictitious assets and losses.

Sales	x		
- variable cost	(x)		
Contribution	x	Profit Volume Ratio:	$\frac{\text{Contribution}}{\text{Sales}} \times 100$
- Fixed cost	(x)		
EBIT	x	ROI (Return on Investment)	$\frac{\text{EBIT}}{\text{Total Investments}} \times 100$
- Interest	(x)		
EBT	x		
- Tax	(x)	Return on Shareholders Funds	$\frac{\text{EAT}}{\text{Total Shareholders Funds}} \times 100$
EAT	x		
- Preference Dividend	(x)		
NP for ESH	x	Return on Equity	$\frac{\text{NP for ESH}}{\text{Equity}} \times 100$

Equity	Total Shareholders Funds	Total Capital Employed Total Investment .
Equity share capital	Equity share capital	Equity share capital
Reserves & Surplus	Reserves & Surplus	Reserves & Surplus
	Preference share capital	Preference share capital
		Debt/loan

Liquidity Ratio:Current Ratio:

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Quick Ratio / Acid Test / Liquid Ratio

$$\frac{\text{Quick Assets}}{\text{Current Liabilities}} \longrightarrow (\text{CA} - \text{stock} - \text{Prepaid Expenses})$$

Cash Ratio:

$$\frac{\text{Cash \& Bank Balance + marketable securities}}{\text{Current Liabilities}} \times 100$$

Turnover Ratios:Total Asset T/O Ratio:

$$\frac{\text{Sales (COGS)}}{\text{Average Total Assets}}$$

Capital Turnover Ratio

$$\frac{\text{Sales (COGS)}}{\text{Capital}}$$

Fixed Asset T/O Ratio:

$$\frac{\text{Sales (COGS)}}{\text{Average Fixed Assets}}$$

Working Capital T/O Ratio

$$\frac{\text{Sales (COGS)}}{\text{Working Capital}}$$

Inventory T/O Ratio:

$$\frac{\text{COGS (Sales)}}{\text{Average Inventory}}$$

Average Period For which Inventory kept

$$\frac{360/52/12}{\text{Inventory T/O Ratio (Times)}}$$

Debtors T/O Ratio:

$$\frac{\text{Credit Sales}}{\text{Average (Debtors + BR)}}$$

Debtors collection period

$$\frac{360/52/12}{\text{Debtors T/O Ratio}}$$

Average Debtors

$$\text{Credit Sales} \times \frac{\text{Collection period}}{360/52/12}$$

Payable T/O Ratio:

$$\frac{\text{Credit Purchases}}{\text{Average (Creditors + BP)}}$$

Payable Payment period

$$\frac{360/52/12}{\text{Payable T/O Ratio}}$$

Average Payable

$$\text{Credit Purchase} \times \frac{\text{Payment period}}{360/52/12}$$

Coverage Ratios:

EBIT	x
- Interest	(x)
EBT	x
- Tax	(x)
EAT	x
- Preference Dividend	(x)
NP for ESH	x

Interest Coverage Ratio:

$$\frac{\text{EBIT}}{\text{Interest}}$$

Preference Dividend Coverage Ratio

$$\frac{\text{EAT}}{\text{Preference Dividend}}$$

$$\text{Earning per share (EPS)} = \frac{\text{NP for ESH}}{\text{NO OF ES}}$$

$$\text{Dividend Per share (DPS)} = \frac{\text{Dividend Paid to ESH}}{\text{NO OF ES}} \times 100$$

$$\text{Dividend Payout Ratio} = \frac{\text{DPS (Dividend Per share)}}{\text{EPS (Earning Per share)}} \times 100$$

$$\text{Price Earning (PE) Ratio} = \frac{\text{MPS (Market Price per share)}}{\text{EPS (Earning Per share)}} \quad (\text{Times})$$

$$\text{Dividend Yield Ratio} = \frac{\text{DPS (Dividend Per share)}}{\text{MPS (Market Price per share)}} \times 100$$

$$\text{Earning Yield Ratio} = \frac{\text{EPS (Earning per share)}}{\text{MPS (Market Price per share)}} \times 100$$