

Essentials of Managerial Finance (FIN 300, Prof. Roger King)

RATIO	FORMULA	CALCULATION	RATIO	INDUSTRY AVERAGE	COMMENT
LIQUIDITY					
CURRENT RATIO (CR)	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{\$465.00}{\$130.00}$	3.6x	4.1x	Low
QUICK, ACID TEST (AT)	$\frac{\text{Current Assets}-\text{Inventories}}{\text{Current Liabilities}}$	$\frac{\$195.00}{\$130.00}$	1.5x	2.1x	Low
ASSET MANAGEMENT					
INVENTORY TURNOVER (IT)	$\frac{\text{Cost of Goods Sold}}{\text{Inventories}}$	$\frac{\$1,230.00}{\$270.00}$	4.6x	7.4x	Low
FIXED ASSETS TURNOVER (FAT)	$\frac{\text{Sales}}{\text{Net Fixed Assets}}$	$\frac{\$1,500.00}{\$380.00}$	3.9x	4.0x	OK
TOTAL ASSETS TURNOVER (TAT)	$\frac{\text{Sales}}{\text{Total Assets}}$	$\frac{\$1,500.00}{\$845.00}$	1.8x	2.1x	Low
DEBT MANAGEMENT					
DEBT RATIO (DR)	$\frac{\text{Total Debt}}{\text{Total Assets}}$	$\frac{\$430.00}{\$845.00}$	50.9%	45.0%	Poor
TIMES INTEREST EARNED (TIE)	$\frac{\text{EBIT}}{\text{Interest Charges}}$	$\frac{\$130.00}{\$40.00}$	3.3x	6.5x	Low
PROFITABILITY					
NET PROFIT MARGIN ON SALES (NPMoS)	$\frac{\text{Net Income}}{\text{Sales}}$	$\frac{\$54.00}{\$1,500.00}$	3.6%	4.7%	Poor
RETURN ON ASSETS (ROA)	$\frac{\text{Net Income}}{\text{Total Assets}}$	$\frac{\$54.00}{\$845.00}$	6.4%	12.6%	Poor
RETURN ON COMMON EQUITY (ROE)	$\frac{\text{EAT-PD}}{\text{Owner's Equity}}$	$\frac{\$54.00}{\$415.00}$	13.0%	17.2%	Poor
MARKET VALUE					
PRICE/EARNINGS (P/E)	$\frac{\text{Market Price per share}}{\text{Earnings per share}}$	$\frac{\$23.00}{\$2.16}$	10.6x	13.0x	Low
MARKET/BOOK	$\frac{\text{Market Price}}{\text{BVPS}}$	$\frac{\$23.00}{\$16.60}$	1.4x	2.0x	Low

Used with P/E: $EPS = \frac{\text{EAT-PD}}{\# \text{ of Share of C.S.}}$

Used with M/B: $BVPS = \frac{\text{Owners Equity}}{\# \text{ of Share of C.S.}}$