

Twitter Thread by Ram Bhupatiraju



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Some Excellent articles on Financial Ratios and Analysis.

h/t @discover_ci ■

1■ Profitability

2■ Liquidity Ratios

<https://t.co/OoFu0YPxiM>

3■ Leverage Ratios

<https://t.co/jmvmcmBJv4>

4■ Asset Management Ratios

<https://t.co/QQEHbcbmUr>

5■ Financial Analysis: What It Is and Tips for Getting it Right.

- ✓■ Determining a Company's Key Performance Indicators
- ✓■ Collecting Company Financial Statements & Calculating Financial Ratios
- ✓■ Analyzing Operating Results & Financial Ratios

<https://t.co/ptipG3cqw0>

All of the above Ratios ■

Profitability Ratio	Formula
Cash Flow Return on Investment Ratio	$\text{Operating Cash Flow} / \text{Capital Employed}$
Cash Return on Assets Ratio	$\text{Operating Cash Flow} / \text{Average Total Assets}$
Cash Return on Capital Invested Ratio	$\text{EBITDA} / \text{Invested Capital}$
Gross Profit Margin Ratio	$(\text{Sales} - \text{Cost of Goods Sold}) / \text{Sales}$
Net Profit Margin Ratio	$\text{Net Income} / \text{Sales}$
Operating Cash Flow Margin	$\text{Operating Cash Flow} / \text{Sales}$
Operating Profit Margin Ratio	$(\text{Sales} - \text{Cost of Goods Sold} - \text{Operating Expenses}) / \text{Sales}$
Return on Assets Ratio	$(\text{Net Income} + \text{Interest Expense}) / \text{Total Assets}$
Return on Average Assets Ratio	$(\text{Net Income} + \text{Interest Expense}) / \text{Average Total Assets}$
Return on Average Capital Employed	$\text{EBIT} / (\text{Average Total Assets} - \text{Average Current Liabilities})$
Return on Average Equity Ratio	$\text{Net Income} / \text{Total Shareholders' Equity}$
Return on Capital Employed Ratio	$\text{Net Operating Profit} / \text{Capital Employed}$
Return on Equity Ratio	$\text{Net Income} / \text{Shareholders' Equity}$
Return on Debt Ratio	$\text{Net Income} / \text{Long-Term Debt}$
Return on Invested Capital	$(\text{Net Income} - \text{Dividends}) / \text{Invested Capital}$
Return on Investment Ratio	$(\text{Investment Revenue} - \text{Cost Investment}) / \text{Cost of Investment}$
Return on Operating Assets (ROOA)	$\text{Net Income} / \text{Operating Assets}$
Return on Research Capital Ratio	$\text{Gross Profit} / \text{Previous Year Research \& Development Expenditure}$
Return on Retained Earnings Ratio	$\text{Net Income} / \text{Retained Earnings}$
Return on Sales Ratio	$\text{EBIT} / \text{Net Sales}$

Liquidity Ratio	Formula
Acid Test Ratio	$(\text{Cash} + \text{Marketable Securities} + \text{Accounts Receivable}) / \text{Current Liabilities}$
Cash Coverage Ratio	$(\text{Cash} + \text{Cash Equivalents}) / \text{Current Liabilities}$
Cash Ratio	$(\text{Cash} + \text{Marketable Securities}) / \text{Current Liabilities}$
Cash to Current Assets Ratio	$(\text{Cash} + \text{Marketable Securities}) / \text{Current Assets}$
Cash to Current Liabilities Ratio	$(\text{Cash} + \text{Cash Equivalents} + \text{Marketable Securities}) / \text{Current Liabilities}$
Cash to Working Capital Ratio	$(\text{Cash} + \text{Cash Equivalents}) / (\text{Current Assets} - \text{Current Liabilities})$
Current Ratio	$\text{Current Assets} / \text{Current Liabilities}$
Defensive Interval Ratio	$\text{Current Assets} / (\text{Daily Operational Expenses})$
Inventory to Working Capital Ratio	$\text{Inventory} / (\text{Accounts Receivable} + \text{Inventory} - \text{Accounts Payable})$
Net Working Capital Ratio	$\text{Current Assets} - \text{Current Liabilities}$
Quick Ratio	$(\text{Cash} + \text{Marketable Securities} + \text{Accounts Receivable}) / \text{Current Liabilities}$
Sales to Current Assets Ratio	$\text{Net Sales} / \text{Current Assets}$
Sales to Working Capital Ratio	$\text{Annualized Net Sales} / (\text{Accounts Receivable} + \text{Inventory} - \text{Accounts Payable})$

Leverage Ratios	Formula
Debt Ratio	$\text{Total Debt} / \text{Total Assets}$
Debt to Equity	$\text{Total Debt} / \text{Total Equity}$
Interest Coverage Ratio	$\text{EBIT} / \text{Interest Expense}$
Equity Ratio	$\text{Total Equity} / \text{Total Assets}$
Debt to Capital	$\text{Total Debt} / (\text{Total Debt} + \text{Total Equity})$
Debt to EBITDA	$\text{Total Debt} / \text{Earnings Before Interest Taxes Depreciation \& Amortization (EBITDA)}$
Assets to Equity	$\text{Total Assets} / \text{Total Equity}$

Asset Management Ratios	Formulas
Asset Turnover	$\text{Revenues} / \text{Average Total Assets}$
Inventory Turnover	$\text{Cost of Goods Sold} / \text{Average Inventory}$
Days Sales In Inventory	$365 \text{ days} / \text{Inventory Turnover Ratio}$
Accounts Receivable Turnover	$\text{Net Credit Sales} / \text{Average Accounts Receivable}$
Accounts Payable Turnover	$\text{Total Purchases} / \text{Average Accounts Payable}$
Capacity Utilization	$\text{Actual Output} / \text{Potential Output} \times 100$
Cash Conversion Cycle	$\text{Days Inventory Outstanding} + \text{Days Sales Outstanding} - \text{Days Payable Outstanding}$
Defensive Interval	$\text{Current Assets} / \text{Daily Operating Expenses}$
Fixed Asset Turnover	$\text{Sales Revenue} / \text{Total Fixed Assets, Net}$
Working Capital Turnover	$\text{Net Annual Sales} / \text{Average Working Capital}$