

Performance Ratios

Gross Profit Margin

Net Profit Margin

Return on Capital Employed (ROCE)

Efficiency Ratios

Fixed Asset Turnover = Revenue / Fixed Assets

Inventory Turnover = Cost of Sales / Average Inventory

Inventory Turnover in Days = Average Inventory / Cost of Sales * 365

Trade Receivables Turnover = Average Trade Receivables / Revenue on Credit * 365

Trade Payables Turnover = Trade Payables / Purchases * 365

LENDING RATIOS

Gearing = Debt / Equity

Interest Cover = Profit before Interest and Tax / Interest

Liquidity Ratios

Current Ratio = Current Assets / Current Liabilities

Quick Ratio = Current Assets - Inventories / Current Liabilities

Investor Ratios

Dividend Per Share = Dividend for the Year / No. of Shares issued

Dividend Cover = Profit after Tax / Dividend

Earnings Per Share = Profit after Tax / No. of Shares

Price Earning or P/E = Price of Share / Earnings Per Share

Profit after Tax refers to amount available to give to ordinary shareholders. Premium not included.

Terms of Accounting

Recognition

Revenue is not the same as received and Expenditure is not the same as cash paid.

Accruals (Matching)

Estimating the value to be paid and adding that as an expense in the Financial Statements and making any adjustments later on.

Bad & Doubtful Debts

Bad & Doubtful Debts are added to Expenses in SFP. However, Doubtful debts are deducted from Receivables in Income Statement

Net Realisable Value

The value inventory holds (not cost price or selling price)

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 Page 1 of 1.

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