

The Income Statement

Sales of Goods

- Cost of Goods Sold

= Gross Profit

- Depreciation

= EBIT

- Interest

= EBT

- Taxes

= EAT (Net Income)

ROE

ROE = $\text{EAT} / \text{Equity}$

Tax Burden Ratio = EAT / EBT

Interest Burden Ratio = EBT / EBIT

Operating Profit Margin = $\text{EBIT} / \text{Sales}$

Asset Turnover Ratio = $\text{Sales} / \text{Assets}$

Equity Multiplier = $\text{Assets} / \text{Equity}$

Net Profit Margin = $\text{EAT} / \text{Sales}$

External Financing Needed (EFN)

$\text{EFN} = \Delta \text{NWC} + \Delta \text{Fixed Assets} - \text{Re}$

$\Delta \text{NWC} = \Delta \text{Current Assets} - \Delta \text{Current Liabilities}$

Re = Retained Earnings

The Growth Equation

$\Delta \text{Current Assets} + \Delta \text{Fixed Assets} = \Delta \text{Spontaneous Liabilities} + \text{Re} + \text{EFN}$

$\Delta \text{Sales} \times g = \text{Sales Increase}$

Operating Capital Requirements = $\Delta \text{NWC} + \Delta \text{Fixed Assets}$



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