

The Income Statement

Sales of Goods

- Cost of Goods Sold

= Gross Profit

- Depreciation

= EBIT

- Interest

= EBT

- Taxes

= EAT (Net Income)

ROE

ROE = $EAT / Equity$

Tax Burden Ratio = EAT / EBT

Interest Burden Ratio = $EBT / EBIT$

Operating Profit Margin = $EBIT / Sales$

Asset Turnover Ratio = $Sales / Assets$

Equity Multiplier = $Assets / Equity$

Net Profit Margin = $EAT / Sales$

External Financing Needed (EFN)

$EFN = \Delta NWC + \Delta Fixed Assets - Re$

$\Delta NWC = \Delta Current Assets - \Delta Current Liabilities$

Re = Retained Earnings

The Growth Equation

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

$\Delta Sales \times g = Sales Increase$

Operating Capital Requirements = $\Delta NWC + \Delta Fixed Assets$



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