

Financial Statement Analysis Cheat Sheet by mlboshoff via cheatography.com/37296/cs/11710/

Liquidity Ratios		
Current Ratio	Current Assets:Cu- rrent Liabil- ities	Company's ability to meet its short term obligations
Quick Ratio	Liquid Assets:Cu- rrent Liabil- ities	Liquid assets not only excludes inventory

Is the level of operating capital management to aggressive? Could lead to a loss in business. Also take into account level of operating risk and costs associated with short-term finance.

Debt Management Ratios		
Debt ratio	Total Debt / Total Assets	Indicates extent to which company uses external financing to finance assets
Interest Cover or Times interest earned	EBIT / Interest	Ability to meet interest obligation. EBITDA also used.
Debt/E- quity ratio	Total Debt/Total Equity	Gearing ratio of the company

May need to restate balance sheet interest earning debt - Preference shares (redeemable=debt), deferred tax (do you have obligation to pay?), minority interest (equity), non-interest bearing debt (treat as debt or deduct)

Measures of Profitability

Profit /	Calculated at different
Turnover	levels. Non-trade
	income should not be
	included
	Profit / Turnover

Measures of Profitability (cont)		
Organisat-	EBIAT /	Return on
ional profit-	Total	enterprise as a
ability /	Assets	whole
Return on		
total assets		
Return on	Equity	Difference
Equity	Earnings	between ROA
	/ Total	and ROE is
	Equity	financial
		leverage
Financial	ROA vs ROE	
leverage		

Asset Management / effectiveness			
Inventory turnover	Cost of sales / Average inventory (times)	Effectively manage and control inventory. Poor turnover may indicate obsolete stock. (if you don't have COS use SALES)	
Inventory turnover rate	Average inventory / COS x 365 (days)	Length of time that inventory is on average held before it is sold.	
Days' sales in closing inventory	Closing Inventory / COS x 365 (days)	Days sales left from current closing inventory	

Asset Management / effectiveness (cont)		
Debtor's turnover	Credit Sales / Average Debtor (times)	Evaluate application of Co's credit policy. Too short (sales will be lost) & too long (bad debts) & opp cost
Debtors Collection period	Average debtors / Credit sales x 365 (days)	Reciprocal relationship with debtors turnover
Days Sales in closing debtors	Closing debtors / Credit sales x 365 (days)	Sales represented by closing debtors
Creditors payment period	Average creditors / Credit purchases x 365 (days)	Use COS if credit purchases not available. Too short (not utilising free credit) & too long (Bad reputa- tion)
Asset Turnover	Net Sales / Assets	Management ability to utilise assets effectively to generate sales. Can use different categories of assets



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Investor's ratios / Market value ratios		
Earnings per share	Earnings / WANOS	
Dividend per share	Dividend / No of shares in issue	
Earnings Yield	EPS / Shai	re price
Dividend Yield	DPS / Shar	re Price
Dividend cover	EPS / DPS	
Price - Earnings Ratio	Share Price / EPS	High PE ratio can indicate investor's confidence and growth prospects. Repayment period in years of share investment. How much investors will pay per R1 of co's earnings.
PEG	PE / Expected sustai- nable growth	2 companies taht are in different growth stages (eliminating growth impact)
Nest Asset Value per	NAV / WANOS	Compare share price to NAV ps = trading at a discount?

Investor's	ratios / Market value ra	atios (cont)
Shareh- older return	(Share price(end) - Share price(beg) + Dividend) / Share price(beg)	Compare to ALSI return
Dividend Payout ratio	DPS / EPS	Use to calculate sustainable growth
Sustai- nable growth	1 - Dividend Payout	Ratio
0 1 5	y Statement	

Cash Flow Statement		
Cash flow to total debt	CF from Operations / Total Debt	Indicator of financial distress
Cash ability to cover finance charges	CF from Operations / Interest Paid CF from Ope	Ability to pay interest from cash available rations /
generating ability of co	Turnover	
Remember CASH IS KING! so any Cash Flow Ratio will be more reliable as to the true performance and going concern ability of the company		



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