

Liquidity Ratios	Solvency Ratios	Profitability Ratios	Efficiency ratios
Current ratio	Debt- Equity Ratios	Gross profit ratio	Stock Turnover Ratio
Quick ratio	Total Asset-Debt Ratio	Operating Profit Ratio	Working Capital Turnover ratio
	Proprietors ratio	Net profit Ratio	Fixed Asset Turnover Ratio
		Operating Ratio	Total Asset Turnover Ratio
		ROI	Capital Employed Turnover Ratio
		EPS	
		DPS	Debtors Turnover Ratio
		Price earning ratio	Creditors Turnover Ratio

- 1) Current Ratio = $\frac{\text{Current Asset}}{\text{Current Liability}}$
- 2) Quick Ratio = $\frac{\text{Quick Asset}}{\text{Current Liability}}$

Quick Asset = Total Current asset - (Stock + Prepaid Expenses)

Current Assets	Current Liability
Cash in hand	Bank overdraft
Cash at bank or bank balance	sundry creditors Or trade creditors
Stock Or inventory	bills payable
Debtors Or book debts	outstanding expenses Or expenses accrued
Prepaid expenses	
Outstanding income Or accrued	

income Bills receivable marketable security Or short term investment	income received in advance unclaimed dividend Proposed dividend provision for taxation
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Solvency Ratios:

$$\text{Debt- Equity Ratios} = \frac{\text{Long Term Debt}}{\text{Share holder fund}}$$

$$\text{Total Asset- Debt Ratio} = \frac{\text{Total Assets}}{\text{Long Term Debt}}$$

$$\text{Proprietors Ratios} = \frac{\text{Shareholder Fund}}{\text{Total ASSETS}}$$

Long Term Debt= Any Long Term Loan, debentures and Bonds

Shareholder fund= Equity share capital + Preference share capital + Reserves + Retained earnings+ + share premium – Preliminary expenses.

Turnover/ Efficiency Ratios Ratios:

$$\text{STOCK Turnover Ratio} = \frac{\text{COGS}}{\text{Average Stock}}$$

$$\text{Working Capital Turnover Ratio} = \frac{\text{COGS}}{\text{Net Working Capital}}$$

$$\text{Fixed Asset Turnover Ratio} = \frac{\text{COGS}}{\text{Net Fixed Asset}}$$

$$\text{Total Asset Turnover Ratio} = \frac{\text{COGS}}{\text{Total Assets}}$$

$$\text{Capital Employed Turnover Ratio} = \frac{\text{COGS}}{\text{Capital Employed}}$$

$$\text{Debtors Turnover Ratio} = \frac{\text{Net Credit Sales}}{\text{Average Debtors}}$$

$$\text{Creditors Turnover Ratio} = \frac{\text{Net Credit Purchase}}{\text{Average Creditors}}$$

Important Terms:

$$\text{Average stock} = \frac{\text{Opening stock} + \text{Closing stock}}{2}$$

Net Working Capital = Current Asset - Current Liability

Net Fixed Assets = All Fixed Assets except Preliminary expenses

Total Assets = All assets except preliminary expenses.

$$\text{Average debtor} = \frac{\text{Opening Debtor} + \text{Closing Debtor}}{2}$$

OR

Sundry Debtor + Bills Receivable

$$\text{Average Creditor} = \frac{\text{Opening Creditor} + \text{Closing Creditor}}{2}$$

OR

Sundry Creditor + Bills payable

COGS= sales – Gross profit

OR

Opening Stock+ Net Purchase + Direct Expense- Closing Stock

Gross profit on sales= $\frac{\text{Rate}}{100} * \text{sales}$

Gross profit on cost = $\frac{\text{Rate}}{100 + \text{Rate}} * \text{sales}$
(when sales are not given)

capital Employed = Long Term Debt + Shareholder fund

OR

Net Fixed Asset + Net working Capital

Profitability Ratios:

Gross profit ratio= $\frac{\text{Gross profit}}{\text{Net Sales}} * 100$

Operating Profit Ratio= $\frac{\text{Operating Profit}}{\text{Net sale}} * 100$

Net Profit Ratio= $\frac{\text{Net Profit}}{\text{Net Sales}} * 100$

Operating Ratio= $\frac{\text{COGS} + \text{Operating Expenses}}{\text{Net Sales}} * 100$

ROI= $\frac{\text{EBIT}}{\text{Capital Employed}} * 100$

Ebit= Earning Before interest and taxes

Earning Per share= $\frac{\text{PAIT- Preference dividend}}{\text{No. of equity shares}}$

Dividend Per Share= $\frac{\text{Dividend}}{\text{No. of equity shares.}}$

Price earning Ratio= $\frac{\text{Market Price of share}}{\text{Earning Per share}}$

Operating profit :-Gross profit – Operating expenses

Operating expenses: -

Office and administrative expenses

Selling & distributive expenses

Net profit: - Gross profit –indirect expenses + indirect income

Indirect expenses :-operating expenses + non-operating expenses

Indirect income: – Any income except sale i.e., Rent received, interest Received etc.

Average collection Period= $\frac{\text{No. of operating days/ Months}}{\text{Debtors Turnover Ratio}}$

Average Payment Period= $\frac{\text{No. of Operating day/ Months}}{\text{Creditors Turnover Ratio}}$

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