

RETURN ON EQUITY

Return on Equity = Net Income / Average Equity

Shows the percent return on an investment

PROFIT MARGIN

Profit Margin = Net Income / Sales

Shows the percentage of each sales dollar that results in net income.

DEBT RATIO

Debt Ratio = Total Debt (All liabilities) / Total Assets

Shows the proportion of the company assets purchased through debt (liabilities).

CURRENT RATIO

Current Ratio = Current Assets / Current Liabilities

Shows the number of times a company can pay current debts with current assets such as cash. Current Assets are those that are expected to be used up within one year. Current Liabilities are those that are expected to be paid within one year.

RETURN ON INVESTMENT (aka RETURN ON ASSETS)

Return on Investment = Net Income / Average Total Assets

**Average Total Assets = Current year's total assets + prior year's total assets / 2

Shows how much net income was made from each dollar invested in the company's assets.

INVENTORY TURNOVER

Inventory Turnover = Cost of Goods Sold / Average Inventory

**Cost of Goods Sold = the price paid for the inventory that was then resold.

**Average Inventory = Current Year's Inventory + Prior Year's Inventory / 2

Shows the number of times a company sells its inventory in a year.

AVERAGE DAYS' SALES ON HAND

Average Days' Sales on Hand = 365/Inventory Turnover

Shows the average length of time inventory is held by the merchandiser before it is sold.