

# SUMMARY OF KEY FINANCIAL STATEMENT RATIOS

(Indicates Page in Text Where Ratio is Initially Discussed)

---

## PROFITABILITY RATIOS

---

$$\text{Return on Assets (ROA)} = \frac{\text{Net Income} + (1 - \text{Tax Rate})(\text{Interest Expense}) + \text{Minority Interest in Earnings}}{\text{Average Total Assets}}$$

(Page 261)

$$\text{Profit Margin for ROA} = \frac{\text{Net Income} + (1 - \text{Tax Rate})(\text{Interest Expense}) + \text{Minority Interest in Earnings}}{\text{Sales}}$$

(Page 266)

$$\text{Total Assets Turnover} = \frac{\text{Sales}}{\text{Average Total Assets}}$$

(Page 266)

$$\text{Return on Common Equity (ROCE)} = \frac{\text{Net Income} - \text{Preferred Stock Dividends}}{\text{Average Common Shareholders' Equity}}$$

(Page 295)

$$\text{Profit Margin for ROCE} = \frac{\text{Net Income} - \text{Preferred Stock Dividends}}{\text{Sales}}$$

(Page 301)

$$\text{Capital Structure Leverage} = \frac{\text{Average Total Assets}}{\text{Average Common Shareholders' Equity}}$$

(Page 301)

$$\text{Cost of Goods Sold to Sales Percentage} = \frac{\text{Cost of Goods Sold}}{\text{Sales}}$$

(Page 279)

$$\text{Selling, General, and Administrative Expense to Sales Percentage} = \frac{\text{Selling, General, and Administrative Expense}}{\text{Sales}}$$

(Page 280)

$$\text{Income Tax Expense to Sales Percentage} = \frac{\text{Income Tax Expense} + (\text{Tax Rate})(\text{Interest Expense})}{\text{Sales}}$$

(Page 280)

$$\text{Accounts Receivable Turnover} = \frac{\text{Net Sales on Account}}{\text{Average Accounts Receivable}}$$

(Page 285)

$$\text{Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventories}}$$

(Page 287)

$$\text{Fixed Asset Turnover} = \frac{\text{Sales}}{\text{Average Fixed Assets}}$$

(Page 288)

## RISK RATIOS

---

### Short-Term Liquidity Risk

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

(Page 363)

$$\text{Quick Ratio} = \frac{\text{Cash} + \text{Marketable Securities} + \text{Accounts Receivable}}{\text{Current Liabilities}}$$

(Page 364)

$$\text{Operating Cash Flow to Current Liabilities Ratio} = \frac{\text{Cash Flow from Operations}}{\text{Average Current Liabilities}}$$

(Page 365)

$$\text{Days Receivable Outstanding} = \frac{365}{\text{Accounts Receivable Turnover}}$$

(Page 366)

$$\text{Days Inventory Held} = \frac{365}{\text{Inventory Turnover}}$$

(Page 366)

$$\text{Accounts Payable Turnover} = \frac{\text{Purchases}}{\text{Average Accounts Payable}}$$

(Page 365)

$$\text{Days Accounts Payable Outstanding} = \frac{365}{\text{Accounts Payable Turnover}}$$

(Page 366)

$$\text{Revenues to Cash Ratio} = \frac{\text{Revenues}}{\text{Average Cash Balance}}$$

(Page 369)

$$\text{Days Revenues in Cash} = \frac{365}{\text{Revenues to Cash Ratio}}$$

(Page 369)

### Long-Term Solvency Risk

$$\text{Liabilities to Assets Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

(Page 371)

$$\text{Liabilities to Shareholders' Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Shareholders' Equity}}$$

(Page 371)

$$\text{Long-Term Debt to Long-Term Capital Ratio} = \frac{\text{Long-Term Debt}}{\text{Long-Term Debt} + \text{Total Shareholders' Equity}}$$

(Page 371)

$$\text{Long-Term Debt to Shareholders' Equity Ratio} = \frac{\text{Long-Term Debt}}{\text{Total Shareholders' Equity}}$$

(Page 371)

$$\text{Interest Coverage Ratio} = \frac{\text{Net Income} + \text{Interest Expense} + \text{Income Tax Expense} + \text{Minority Interest in Earnings}}{\text{Interest Expense}}$$

(Page 373)

$$\text{Operating Cash Flow to Total Liabilities Ratio} = \frac{\text{Cash Flow from Operations}}{\text{Average Total Liabilities}}$$

(Page 374)