

MANAGEMENT ACCOUNTING - USEFUL RATIOS

http://www.tutorialspoint.com/accounting_basics/management_accounting_useful_ratios.htm

Copyright © tutorialspoint.com

Short-term Financial Position or Test of Liquidity

| | | |
|--------------------------------------|---|--|
| a Current Ratios | = | Current Assets / Current Liabilities |
| b Quick or Acid Test or Liquid Ratio | = | Liquid Assets / Current Liabilities |
| c Absolute Liquid Ratio | = | Absolute Liquid Assets / Current Liabilities |
| d Interval Measure | = | Liquid Assets / Avg.Daily Operating Expenses |

Current Assets Movement *AssetManagementRatios*

| | | |
|--|---|---|
| a Inventory /Stock Turnover Ratio | = | Cost of Goods Sold / Avg.Inventory at Cost |
| b Debtors or receivables Turnover Ratio/Velocity | = | Net Credit Annual Sale / Avg.Trade Debtors |
| c Average Collection Period | = | Total Trade Debtors / Sale per Day |
| d Creditors / Payable Turnover Ratio / Velocity | = | Net Credit Annual Purchase / Avg.Trade Creditors |
| e Average Payment Period | = | Total Trade Creditos / Payable / Avg.Daily Purchase |
| f Working Capital Turnover Ratio | = | Sales or Cost of Sales / Net Working Capital |

Analysis of Long-term Financial Position or Test of Solvency

| | | |
|--|----|---|
| a Debt Equity Ratio | = | Outsiders Funds / Shareholders' Funds |
| | or | |
| | = | Outsiders' Equities / Internal Equities |
| b Funded Debt to Total Capitalization Ratio | = | Funded Debts / Total Capitalization × 100 |
| c Ratio of Long term Debt to Shareholders, Funds <i>DebtEquity</i> | = | Long term Debts / Shareholders' Funds |
| d Proprietary or Equity Ratio | = | Shareholders Funds / Total Assets |
| e Solvency Ratio | = | Total Liabilities to Outsiders / Total Assets |
| f Fixed Assets Net Worth Ratio | = | Fixed Assets after Depreciation / Shareholders' Funds |

| | |
|--|---|
| <i>g</i> Fixed Assets Ratio or Fixed Assets to Long Term Funds | = Fixed Assets after Depreciation / Total long term Fund |
| <i>h</i> Ratio of Current Assets to Proprietary funds | = Current Assets / Shareholders' Funds |
| <i>i</i> Debt-Service or Interest Coverage | = Net Profit before Int. & Taxes / Fixed Interest Charges |
| <i>j</i> Total Coverage or Fixed Charge Coverage | = EBIT / Total Fixed Charges |
| <i>k</i> Preference Dividend Coverage Ratio | = Net Profit before Int.& Tax / Preference Dividend |
| <i>l</i> Cash to debt-Service Ratio or Debt Cash Flow Coverage | = CF / 1 + SFD / 1 – Tax Rate |

CF = Annual cash flow before Int. & Tax
SFD = Sinking fund appropriation on debt

Analysis of Profitability

i General Profitability:

| | |
|---------------------------------|---|
| <i>a</i> Gross Profit Ratio | = Gross Profit / Net Sale × 100 |
| <i>b</i> Operating Ratio | = Operating Cost / Net Sale × 100 |
| <i>c</i> Expenses Ratio | = Particular Expense / Net Sale × 100 |
| <i>d</i> Net Profit Ratio | = Net Profit after Tax / Net Sale × 100 |
| <i>e</i> Operating Profit Ratio | = Operating Profit / Net Sale × 100 |

Overall Profitability

| | |
|--|---|
| <i>a</i> Return on Shareholders' Investment <i>RoI</i> | = Net Profit after Tax & Interest / Shareholders' Fund × 100 |
| <i>b</i> Return on Equity Capital | = Net Profit after Tax – Pref.Dividend / Paid up Equity Capital × 100 |
| <i>c</i> Earnings per Share <i>EPS</i> | = Net Profit after Tax – Pref.Dividend / Number of Equity Share × 100 |
| <i>d</i> Return on Gross Capital Employed | = Adjusted Net Profit / Gross Capital Employed × 100 |

| | |
|---|--|
| <i>e</i> Return on Net Capital Employed | = Adjusted Net Profit / Net Capital Employed × 100 |
| <i>f</i> Return on Assets | = Net Profit after Tax / Avg.Total Assets × 100 |
| <i>g</i> Capital Turnover Ratio | = Sale or Cost of Sale / Capital Employed × 100 |
| <i>h</i> Fixed Assets Turnover Ratio | = Sale or Cost of Goods Sold / Fixed Assets × 100 |
| <i>i</i> Working Capital Turnover Ratio | = Sale or Cost of Goods Sold / Net Working Capital × 100 |

Market Test or Valuation Ratio

| | |
|--|---|
| <i>a</i> Dividend Yield Ratio | = Dividend per Share / Market Value per Share |
| <i>b</i> Dividend Payout Ratio | = Dividend per Equity Share / Earnings per Share |
| <i>c</i> Price/Earnings <i>P/E</i> Ratio | = Market Price per Equity Share / Earnings per Share |
| <i>d</i> Earning Yield Ratio | = Earnings per Share / Market price per share |
| <i>e</i> Market Value Book Value Ratio | = Market value per share / Book value per share |
| <i>f</i> Market Price to Cash Flow Ratio | = Market price per share / Cash flow per share |

Market Test or Valuation Ratio

| | |
|---|---|
| <i>a</i> Capital Gearing Ratio | = Equity Share Capital + Reserve & Surplus / Pref.Capital + Long term Debt bearing Fixed Interest |
| <i>b</i> Total Investment to Long Term Liabilities | = Shareholders Fund + Long term Liabilities / Long term Liabilities |
| <i>c</i> Debt Equity Ratio | = Outsiders Funds / Shareholders Funds |
| <i>d</i> Ratio to Fixed Assets to Funded Debt | = Fixed Assets / Funded Debts |
| <i>e</i> Ratio of Current Liabilities to Proprietors fund | = Current Liabilities / Shareholders' Funds |
| <i>f</i> Ratio of Reserve to Equity Capital | = Reserves / Equity Share Capital × 100 |
| <i>g</i> Financial Leverage | = EBIT / EBIT – Interest & Pref.Dividend |
| <i>h</i> Operating Leverage | = |

Loading [Mathjax]/jax/output/HTML-CSS/jax.js