

Financial Ratios

Ratio name	Formula	Course example
Quick Ratio	$\frac{\text{Cash} + \text{Accounts receivable trade}}{\text{Current liabilities}}$	$\frac{\$171,210 + \$359,798}{\$353,194} = 1.5$
Current Ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$607,249}{\$353,194} = 1.72$
Current Liabilities to Net Worth	$\frac{\text{Current liabilities}}{\text{Net worth}} \times 100$	$\frac{\$353,194}{\$452,982} \times 100 = 78\%$
Debt to Equity	$\frac{\text{Total liabilities}}{\text{Net worth}}$	$\frac{\$476,122}{\$452,982} = 1.05$
Fixed Assets to Net Worth	$\frac{\text{Net fixed assets}}{\text{Net worth}}$	$\frac{\$162,798}{\$452,982} = 0.36$
Current Assets to Total Assets	$\frac{\text{Current assets}}{\text{Total assets}}$	$\frac{\$607,249}{\$929,104} = 0.65$
Collection Period	$\frac{\text{Accounts receivable trade} \times 365}{\text{Revenues}}$	$\frac{\$310,215 \times 365}{\$4,036,200} = 28 \text{ days}$
AR Turnover	$\frac{365}{\text{Collection period}}$	$\frac{365}{28} = 13$
AP Turnover	$\frac{\text{Materials} + \text{Subcontract}}{\text{Accounts payable}}$	$\frac{\$783,540 + \$1,550,169}{\$247,668} = 9.4$
Average Age of AP	$\frac{365}{\text{Accounts payable turnover}}$	$\frac{365}{9.4} = 39 \text{ days}$
Return on Assets	$\frac{\text{Net profit before taxes}}{\text{Total assets}} \times 100$	$\frac{\$140,624}{\$858,792} \times 100 = 16.4\%$
Return on Equity	$\frac{\text{Net profit before taxes}}{\text{Equity}} \times 100$	$\frac{\$140,624}{\$420,023} \times 100 = 33.5\%$
Gross Profit Margin	$\frac{\text{Gross profit}}{\text{Revenues}} \times 100$	$\frac{\$518,932}{\$4,036,200} = 12.9\%$
Profit and Overhead Markup	$\frac{\text{Gross profit}}{\text{Construction costs}} \times 100$	$\frac{\$518,932}{\$3,517,268} = 14.8\%$
General Overhead Ratio	$\frac{\text{General overhead}}{\text{Revenues}} \times 100$	$\frac{\$393,574}{\$4,036,200} = 9.8\%$
Profit Margin	$\frac{\text{Net profit before taxes}}{\text{Revenues}} \times 100$	$\frac{\$140,624}{\$4,036,200} = 3.5\%$
Backlog (months)	$\frac{\text{Uncompleted work on hand}}{\text{Construction cost for last 12 months}} \times 12$	$\frac{\$2,746,352 - \$362,861}{\$3,517,268} \times 12 = 8.1$