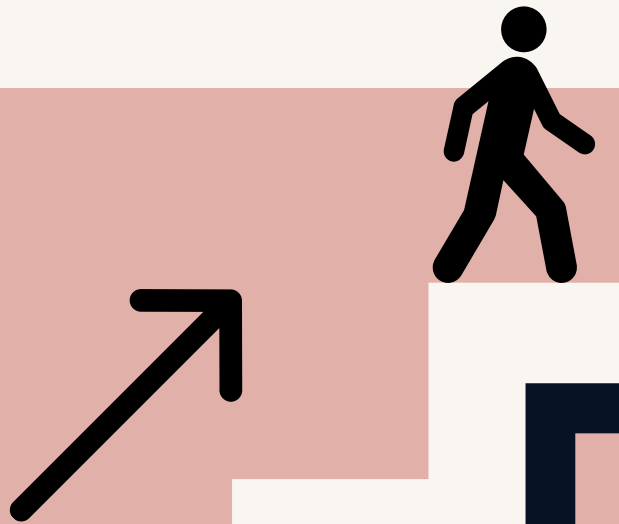


RATIO ANALYSIS CHEATSHEET

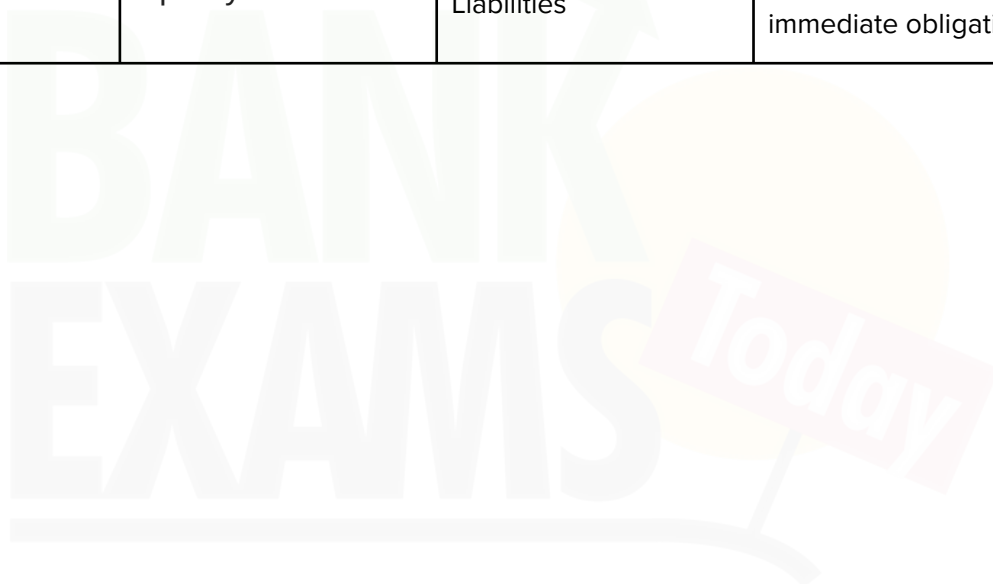


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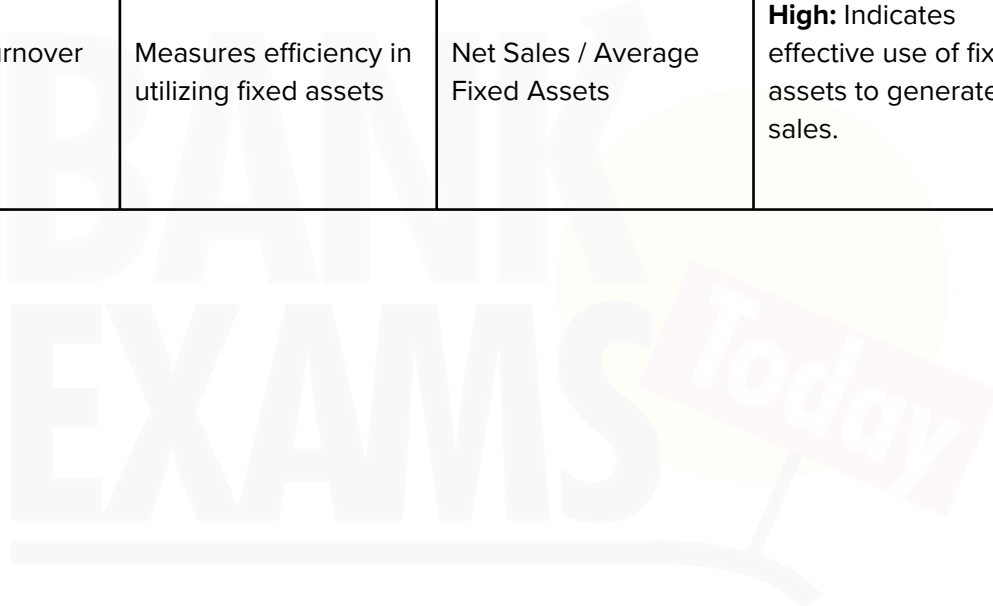
LIQUIDITY RATIOS

Ratio	Purpose	Formula	High/Low Value Better (Explanation)
Current Ratio	Measures liquidity and short-term solvency	Current Assets / Current Liabilities	High: Indicates a stronger ability to meet short-term obligations, but excessively high values may imply inefficient use of resources.
Quick Ratio (Acid-Test)	Evaluates immediate liquidity	$(\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities}$	High: Reflects better short-term liquidity without relying on inventory, which might not be easily convertible to cash.
Cash Ratio	Evaluates cash liquidity	Cash and Cash Equivalents / Current Liabilities	High: Demonstrates sufficient cash reserves to meet immediate obligations.



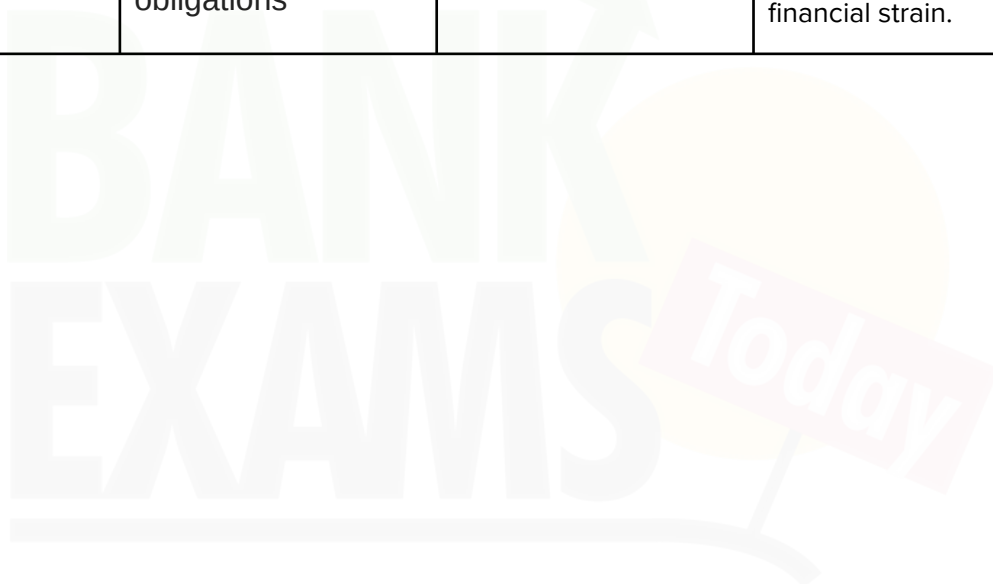
TURNOVER RATIOS

Ratio	Purpose	Formula	High/Low Value Better (Explanation)
Inventory Turnover Ratio	Measures efficiency in inventory management	$\text{Cost of Goods Sold} / \text{Average Inventory}$	High: Indicates efficient inventory management and faster stock turnover, but too high may imply insufficient inventory.
Receivables Turnover Ratio	Assesses efficiency in collecting receivables	$\text{Net Credit Sales} / \text{Average Accounts Receivable}$	High: Suggests efficient collection of receivables, reducing the risk of bad debts.
Asset Turnover Ratio	Evaluates efficiency in using assets to generate revenue	$\text{Net Sales} / \text{Average Total Assets}$	High: Indicates effective utilization of assets to generate sales.
Fixed Asset Turnover Ratio	Measures efficiency in utilizing fixed assets	$\text{Net Sales} / \text{Average Fixed Assets}$	High: Indicates effective use of fixed assets to generate sales.



SOLVENCY RATIOS

Ratio	Purpose	Formula	High/Low Value Better (Explanation)
Debt-to-Equity Ratio	Assesses financial leverage and risk	Total Debt / Total Equity	Low: Indicates lower financial risk and dependency on debt. A very low value may suggest underutilization of leverage.
Interest Coverage Ratio	Checks ability to pay interest on debt	EBIT / Interest Expense	High: Demonstrates a stronger ability to cover interest expenses with earnings.
Debt Service Coverage Ratio (DSCR)	Measures ability to meet debt obligations	Net Operating Income / Total Debt Service	High: Reflects a strong capacity to meet debt obligations without financial strain.

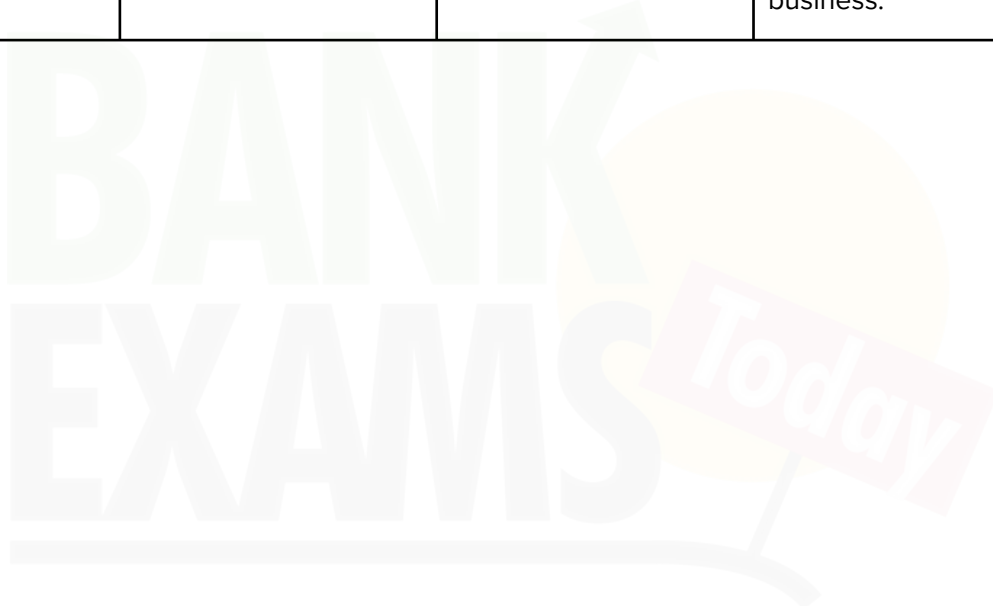


PROFITABILITY RATIOS

Ratio	Purpose	Formula	High/Low Value Better (Explanation)
Net Profit Margin	Indicates profitability per unit of revenue	$(\text{Net Profit} / \text{Net Sales}) \times 100$	High: Demonstrates better profitability and cost control.
Gross Profit Margin	Shows profitability after direct costs	$(\text{Gross Profit} / \text{Net Sales}) \times 100$	High: Reflects a strong ability to manage production costs relative to sales.
Operating Profit Margin	Indicates operational efficiency	$(\text{Operating Profit} / \text{Net Sales}) \times 100$	High: Indicates effective cost management and operational efficiency.
Return on Assets (ROA)	Indicates profitability relative to total assets	$(\text{Net Profit} / \text{Average Total Assets}) \times 100$	High: Reflects efficient use of assets to generate profits.
Return on Equity (ROE)	Measures return generated on shareholders' investment	$(\text{Net Profit} / \text{Average Shareholders' Equity}) \times 100$	High: Demonstrates strong returns for shareholders.

MARKET RATIOS

Ratio	Purpose	Formula	High/Low Value Better (Explanation)
Earnings Per Share (EPS)	Measures earnings available to equity shareholders	$(\text{Net Profit} - \text{Preference Dividends}) / \text{Weighted Average Shares Outstanding}$	High: Indicates higher profitability per share, benefiting shareholders.
Price-to-Earnings (P/E) Ratio	Valuation ratio for stock	$\text{Market Price Per Share} / \text{Earnings Per Share}$	Depends: A lower P/E is preferred for value investors, while a high P/E may suggest growth potential.
Dividend Payout Ratio	Shows proportion of earnings distributed as dividends	$\text{Dividends Paid} / \text{Net Profit}$	Depends: Higher values indicate better dividend payouts; lower values suggest reinvestment into the business.



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