

Financial Ratios

Business & Management

The ratios that matter, grouped by what they test.

Four families of ratio.

Family	Key ratios
Profitability	Gross margin, operating margin, ROCE, ROE
Liquidity	Current ratio, quick ratio
Efficiency	Inventory days, receivable days, asset turnover
Gearing	Debt-to-equity, interest cover
Investor	EPS, P/E, dividend yield

The cash conversion cycle: inventory days + receivable days – payable days. It is how many days of cash the business must fund.