

Ratio Analysis

Accounting & Finance

The ratios that summarise a set of accounts.

The four families.

Family	Ratio	Shows
Profitability	Gross and net margin	Pricing and cost control
Liquidity	Current, quick ratio	Ability to pay soon
Efficiency	Inventory days, receivable days	How hard assets work
Gearing	Debt ÷ equity	Financial risk
Return	ROCE, ROE	Return on capital used

A ratio in isolation says nothing. A current ratio of 2 is healthy in retail and alarming in a bank.