FINANCIAL RATIOS & FORMULAS MASTER CHEAT SHEET

Comprehensive Formula Sheet & Benchmark Reference Guide • ***EverythingAboutAccounting.info***

1. Liquidity & Solvency Ratios

Ratio Name	Formula	What It Measures	Target Benchmark
Current Ratio	Current Assets ÷ Current Liabilities	Ability to pay short-term debts with short-term assets	1.5x – 2.5x
Quick (Acid-Test) Ratio	(Cash + Mkt Securities + Net AR) ÷ Current Liab.	Instant liquidity without relying on selling inventory	≥ 1.0x
Working Capital ($)	Current Assets – Current Liabilities	Dollar buffer available for day-to-day operations	> $0 (Positive)
Debt-to-Equity (D/E)	Total Liabilities ÷ Total Stockholders' Equity	Financial leverage and capital structure risk	≤ 1.5x – 2.0x
Debt Ratio (%)	Total Liabilities ÷ Total Assets	Percentage of total assets financed through debt	≤ 50% – 60%
Times Interest Earned (TIE)	Operating Income (EBIT) ÷ Interest Expense	Operating margin of safety to cover interest payments	≥ 3.0x – 4.0x

2. Profitability Ratios

Ratio Name	Formula	What It Measures	Target Benchmark
Gross Profit Margin (%)	(Gross Profit ÷ Net Sales) × 100	Profit markup after direct cost of goods sold	30% – 50% (Industry)
Operating Margin (%)	(Operating Income / EBIT ÷ Net Sales) × 100	Efficiency in managing operating overhead	10% – 20%
Net Profit Margin (%)	(Net Income ÷ Net Sales) × 100	Bottom-line percentage converted from total revenue	5% – 15%
Return on Assets (ROA)	(Net Income ÷ Average Total Assets) × 100	How efficiently assets generate net earnings	≥ 5% – 10%
Return on Equity (ROE)	(Net Income ÷ Average Stockholders' Equity) × 100	Profit generated for each dollar of shareholder capital	≥ 12% – 18%
Return on Investment (ROI)	[(Gain – Cost of Investment) ÷ Cost] × 100	Percentage return on a capital project or asset	> Cost of Capital

3. Operational Efficiency & Working Capital Turnovers

Ratio Name	Formula	What It Measures	Target Benchmark
A/R Turnover	Net Credit Sales ÷ Average Accounts Receivable	Times receivables are collected per year	≥ 6x – 10x / year
Days Sales Outstanding (DSO)	(Average AR ÷ Total Credit Sales) × 365	Average days taken to collect cash from customers	≤ 30 – 45 Days
Inventory Turnover	Cost of Goods Sold ÷ Average Inventory	Times inventory is sold and replaced per year	4x – 8x / year
Days Sales of Inventory (DSI)	(Average Inventory ÷ COGS) × 365	Average days inventory sits before being sold	≤ 45 – 60 Days
Operating Cash Flow (OCF)	Net Income + Non-Cash Exp. ± Working Capital	True cash generated by core operations	> Net Income
Break-Even Point (Units)	Total Fixed Costs ÷ Unit Contribution Margin	Units required to cover fixed overhead ($0 profit)	Lower is safer