interplay™

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Advantage

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We help leaders lead, sellers sell, and businesses flourish.

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More about Interplay: www.advantageperformance.com/solution/interplay

Interplay - Financial formulas cheat sheet

Key financial ratios

Profitability Ratios

A company's ability to generate net income on a consistent basis

Gross profit margin - Remains from sales after a company pays out the cost of delivery (or cost of goods sold).

- **Revenue - Cost of delivery/Revenue**

Contribution margin - Allows a company to determine the profitability of individual products and services.

- **Operating profit/Product revenue**

Net profit margin - Measures how much, out of every dollar of sales, a company actually keeps after deducting the cost of goods sold, expenses and taxes.

- **Net income/Revenue**

Ratios Related to Returns

A yield generated by an investment, expressed as a percentage of the amount invested

ROI (Return on investment) - Evaluates the efficiency of an investment or to compare the efficiency of a number of different investments.

- **Benefits of investment/Cost of investment**

ROE (Return on equity) - Measures how efficiently a company used reinvested earnings to generate additional earnings.

- **Income/Book value of Equity**

EPS (Earnings per share) - Allocates a portion of a public company's profit to each outstanding share of common stock.

- **Total revenue – Total expenses/# of outstanding shares**

Liquidity Ratios

Ratios that measure the company's ability to meet its short term obligations

Quick ratio - Measures a company's ability to meet its short-term obligations with its most liquid assets.

- **Current inventories/Current liabilities**

Current ratio - Measures a company's ability to pay short-term obligations.

- **Current assets/Current liabilities**

Debt ratio - Indicates the proportion of debt a company has relative to its assets.

- **Total debt/Total assets**

Turnover Ratios

The number of times an asset, such as cash, inventory or raw materials is replaced or revolves during an accounting period

DSO (Days sales outstanding) - Measures the average number of days that a company takes to collect payment after a sale has been made.

- **Accounts receivable/Total credits sales x Days in a period**

Days to sell inventory ratio - Shows how efficiently purchases and sales are matched; low inventory days indicates that the demand for the product was accurately forecasted.

- **Average inventory/Cost of goods sold x 365**

Days purchases in accounts payable ratio - Measures how quickly suppliers are paid for inventory purchases.

- **Average accounts payable/(Cost of goods sold + Change of inventory) x 365**

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