

1. Current Ratio

- **Meaning:** Measures ability to pay short-term debts using current assets.
 - **Insight:** ratio > 1 indicates sufficient liquidity .
ratio < 1 suggests the firm might struggle to pay .
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2. Acid-Test (Quick) Ratio

- **Meaning:** Like current ratio but excludes inventory (less liquid).
 - **Insight:** Below 1 means reliance on inventory to cover debts.
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3. Cash Ratio

- **Meaning:** Shows how much debt can be paid instantly with cash only.
 - **Insight:** Below 1 means that there is an inability to pay debts when they due, which may lead to stopping the activity, and vice versa.
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4. Return on Assets

- **Meaning:** Measures how efficiently assets generate profit.
 - **Insight:** High ROA = good management and asset utilization.
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5. Return on Equity

- **Meaning:** Measures return for shareholders' investment.
 - **Insight:** High ROE = strong profitability; check for high debt leverage.
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6. Gross Profit Margin

- **Meaning:** Profit after deducting cost of goods sold (COGS).
 - **Insight:** High margin = efficient production and pricing.
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7. Operating Profit Margin

- **Meaning:** Profit after operating expenses, before interest/taxes.
 - **Insight:** High ratio = effective cost control.
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8. Return on Sales (ROS)

- **Meaning:** Net profit after all expenses (interest + tax).
- **Insight:** Reflects good expense management.

9. Current Assets Turnover

Meaning: Measures how well current assets generate sales.

- **Insight:** Indicates efficient working capital use.

10. Fixed Assets Turnover

- **Meaning:** Measures how well fixed assets generate sales

- **Insight:** Shows solid use of machinery and capacity.

11. Inventory Turnover

- **Meaning:** How many times inventory is sold and replaced yearly.
- **Insight:** Efficient inventory management for manufacturing.

| Category | Ratio | Formula |
|---------------|-------------------------|--|
| Liquidity | Current | $\text{Current Assets} \div \text{Current Liabilities}$ |
| | Quick | $(\text{Current Assets} - \text{Inventory}) \div \text{Current Liabilities}$ |
| | Cash | $(\text{Cash} + \text{Cash Equivalents}) \div \text{Current Liabilities}$ |
| Profitability | ROA | $(\text{Net Profit} \div \text{Total Assets}) \times 100$ |
| | ROE | $(\text{Net Profit} \div \text{Shareholders' Equity}) \times 100$ |
| | Gross Margin | $(\text{Net Sales} - \text{COGS}) \div \text{Net Sales} \times 100$ |
| | Operating Margin | $(\text{Operating Profit} \div \text{Net Sales}) \times 100$ |
| | ROS | $(\text{Net Profit} \div \text{Net Sales}) \times 100$ |
| Efficiency | Current Assets Turnover | $\text{Net Sales} \div \text{Average Current Assets}$ |
| | Fixed Assets Turnover | $\text{Net Sales} \div \text{Net Fixed Assets}$ |
| | Inventory Turnover | $\text{COGS} \div \text{Average Inventory}$ |