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| **Return on Assets** | **Profitability Ratio:** Relates net income to the investment in all of the financial resources: Net profit + interest expense/ Total assets |
| **Return on Equity (ROE)** | **PROFITABILITY RATIOS:** Measures rate of return on stockholders’ investment Net income / Shareholder’s Equity |
| **Profit Margin** | **PROFITABILITY RATIOS:** This ratio, which gives the return on sales, relates two statement of income measurements to each other. Net Income/ Net Sales |
| **Asset Turnover** | **ACTIVITY RATIOS:** Assesses effectiveness in generating sales from investments in all assets. Net sales / Total assets |
| **Day’s Receivable** | **ACTIVITY RATIOS:** Provides evidence about the amount of time that lapses between sales and receipt of payment from customers. Average Day’s Sales = Net sales/365 Accounts Receivable / Average Day’s Sales |
| **Inventory Turnover** | **ACTIVITY RATIOS** Determining the number of times that inventory is sold during the year. Inventory turnover = Cost of Goods Sold/Average Inventory Inventory turnover (in days) = 365/Inventory Turnover |
| **Debt Ratio** | **SOLVENCY & LEVERAGE RATIOS:** Total liabilities / Total assets |
| **Times Interest Earned** | **SOLVENCY & LEVERAGE RATIO:** Pretax Operating Income + Interest Expense / Interest |
| **Price-to-Earnings (P/E)** | **MARKET RATIO:** Market price of common stock / Earnings per share |
| **Dividend Yield** | **MARKET RATIOS** The dividend yield to common shareholders is dependent upon the market price originally paid for the share Dividends per share / Market Price per share |
| **Dividend Payout** | **MARKET RATIOS:** The dividend payout ratio shows the proportion of net income that was paid in dividends. Dividends / Net income (available to common shareholders) |

***Financial Statement Analysis***