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Important Formulas of Financial Ratios

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List of 22 Important Formulas of Financial Ratios

Important Formulas of Financial Ratios

1) Average Collection Period

$$\text{fx } \text{ACP} = \frac{\text{AR}}{\frac{\text{S}_{\text{RP}}}{t}}$$

Open Calculator 

$$\text{ex } 0.131004 = \frac{2000}{\frac{458000}{30}}$$

2) Business Current Ratio

$$\text{fx } \text{CR} = \frac{\text{CA}}{\text{CL}}$$

Open Calculator 

$$\text{ex } 2.65 = \frac{79500}{30000}$$

3) Business Quick Ratio

$$\text{fx } \text{QR} = \frac{\text{CA} - \text{I}_{\text{LR}}}{\text{CL}}$$

Open Calculator 

$$\text{ex } 2.6485 = \frac{79500 - 45}{30000}$$



4) Cash Flow to Sales 

$$\text{fx } \text{CFS} = \frac{\text{OCF}}{\text{S}}$$

Open Calculator 


$$\text{ex } 4.2 = \frac{4200000}{1000000}$$

5) Current Ratio 

$$\text{fx } \text{CR} = \frac{\text{CA}}{\text{CL}}$$

Open Calculator 


$$\text{ex } 2.65 = \frac{79500}{30000}$$

6) Debt to Assets Ratio 

$$\text{fx } \text{DA} = \frac{\text{TL}}{\text{TA}}$$

Open Calculator 

$$\text{ex } 0.4501 = \frac{45010}{100000}$$

7) Debt to Equity Ratio 

$$\text{fx } R_{D/E} = \frac{\text{TL}}{\text{TSE}} \cdot 100$$

Open Calculator 

$$\text{ex } 37508.33 = \frac{45010}{120} \cdot 100$$



8) Economic Value Added 

$$\text{fx } \text{EVA} = \text{NOPAT} - \text{WACC} \cdot \text{TC}$$

Open Calculator 

$$\text{ex } 449999 = 1000010 - 11 \cdot 50001$$

9) Equity Multiplier 

$$\text{fx } \text{EM} = \frac{\text{TA}}{\text{TSE}}$$

Open Calculator 

$$\text{ex } 833.3333 = \frac{100000}{120}$$

10) Fixed Asset Turnover Ratio 

$$\text{fx } \text{FAT} = \frac{\text{NS}}{\text{ANFA}}$$

Open Calculator 

$$\text{ex } 3.829787 = \frac{90000}{23500}$$

11) Fixed Charge Coverage Ratio 

$$\text{fx } \text{FCCR} = \frac{\text{EBIT} + \text{FCBT}}{\text{FCBT} + \text{I}}$$

Open Calculator 

$$\text{ex } 2.499942 = \frac{450000 + 300000}{300000 + 7}$$



12) Free Cash Flow 

$$fx \quad FCF = CFO - CAPEX$$

[Open Calculator !\[\]\(e2376d476d06eb31946dc01a69a4403a_img.jpg\)](#)

$$ex \quad 48000 = 50000 - 2000$$

13) Free Cash Flow to Firm 

$$fx \quad FCFE = CFO + (Int \cdot (1 - tax)) - CAPEX$$

[Open Calculator !\[\]\(0b5e7e25e8775f7e7e80906ada4f0021_img.jpg\)](#)

$$ex \quad 47300 = 50000 + (100 \cdot (1 - 8)) - 2000$$

14) Interest Coverage Ratio 

$$fx \quad ICR = \frac{EBIT}{Int}$$

[Open Calculator !\[\]\(bd3b31712ad9bab5a241210fa6925cdd_img.jpg\)](#)

$$ex \quad 4500 = \frac{450000}{100}$$

15) Inventory Turnover Ratio 

$$fx \quad ITR = \frac{COGS}{In}$$

[Open Calculator !\[\]\(7bc43b319a082987e20f7bf78f4bab80_img.jpg\)](#)

$$ex \quad 0.888889 = \frac{40000}{45000}$$



16) Market Capitalization 

$$\text{fx } MC = CSP \cdot TSO$$

[Open Calculator !\[\]\(d3fb9f94af8b26d1c844efa9a98805b0_img.jpg\)](#)

$$\text{ex } 931000 = 1.9 \cdot 490000$$

17) Quick Ratio 

$$\text{fx } QR = \frac{CA - I_{LR}}{CL}$$

[Open Calculator !\[\]\(e1d6102fe77919492c04879c8450f1f5_img.jpg\)](#)

$$\text{ex } 2.6485 = \frac{79500 - 45}{30000}$$

18) Receivables Turnover Ratio 

$$\text{fx } RTR = \frac{NS}{AAR}$$

[Open Calculator !\[\]\(ab4e2b3fc7e7887b7a72f548aa6f5e60_img.jpg\)](#)

$$\text{ex } 7.2 = \frac{90000}{12500}$$

19) Revenue Growth Rate 

$$\text{fx } RGR = \left(\frac{CPR - PPR}{PPR} \right) \cdot 100$$

[Open Calculator !\[\]\(5abce1a84a655b073239ab33e1199487_img.jpg\)](#)

$$\text{ex } 20 = \left(\frac{600000 - 500000}{500000} \right) \cdot 100$$



20) Sales Growth Rate

$$\text{fx } \text{SGR} = \left(\frac{\text{CPS} - \text{PPS}}{\text{PPS}} \right) \cdot 100$$

[Open Calculator !\[\]\(9dfdaff1d86ba3c1f8353b4d1b61b8c5_img.jpg\)](#)

$$\text{ex } 75 = \left(\frac{700000 - 400000}{400000} \right) \cdot 100$$

21) Sales to Receivables Ratio

$$\text{fx } \text{SR} = \frac{\text{NS}}{\text{NR}}$$

[Open Calculator !\[\]\(2b376d1a92330ab09dad2665d2f89bf5_img.jpg\)](#)

$$\text{ex } 0.114556 = \frac{90000}{785645}$$

22) Total Asset Turnover

$$\text{fx } \text{ATO} = \frac{\text{S}}{\text{TA}}$$

[Open Calculator !\[\]\(c444627dab9fee9a1550c053ffaaaae2_img.jpg\)](#)

$$\text{ex } 10 = \frac{1000000}{100000}$$



Variables Used

- **AAR** Average Accounts Receivables
- **ACP** Average Collection Period
- **ANFA** Average Net Fixed Assets
- **AR** Accounts Receivable
- **ATO** Total Asset Turnover
- **CA** Current Assets
- **CAPEX** Net Capital Expenditures
- **CFO** Cash Flow from Operations
- **CFS** Cash Flow to Sales
- **CL** Current Liabilities
- **COGS** Cost of Goods Sold
- **CPR** Current Period Revenue
- **CPS** Current Period Sales
- **CR** Current Ratio
- **CSP** Current Share Price
- **DA** Debt to Assets Ratio
- **EBIT** Earnings Before Interest and Taxes
- **EM** Equity Multiplier
- **EVA** Economic Value Added
- **FAT** Fixed Asset Turnover Ratio
- **FCBT** Fixed Charges Before Taxes
- **FCCR** Fixed Charge Coverage Ratio
- **FCF** Free Cash Flow
- **FCFF** Free Cash Flow to Firm (FCFF)



- **I** Interest
- **I_{LR}** Inventory of Liquidity Ratio
- **ICR** Interest Coverage Ratio
- **In** Inventory
- **Int** Interest Expense
- **ITR** Inventory Turnover Ratio
- **MC** Market Capitalization
- **NOPAT** Net Operating Profit After Tax
- **NR** Net Receivables
- **NS** Net Sales
- **OCF** Operating Cash Flow
- **PPR** Previous Period Revenue
- **PPS** Previous Period Sales
- **QR** Quick Ratio
- **R_{D/E}** Debt to Equity (D/E)
- **RGR** Revenue Growth Rate
- **RTR** Receivables Turnover Ratio
- **S** Sales
- **S_{RP}** Sales for Reporting Period
- **SGR** Sales Growth Rate
- **SR** Sales to Receivables Ratio
- **t** Reporting Period Length
- **TA** Total Assets
- **tax** Tax Rate
- **TC** Total Invested Capital
- **TL** Total Liabilities



- **TSE** Total Shareholders' Equity
- **TSO** Total Shares Outstanding
- **WACC** Weighted Average Cost of Capital



Constants, Functions, Measurements used



Check other formula lists

- **Important Formulas of Business** 

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