Ratio	Formula	Measure of
Liquidity and Efficiency		
Current ratio	$= \dfrac{\text{Current assets}}{\text{Current liabilities}}$	Short-term debt-paying ability
Acid-test ratio	$= \dfrac{\text{Cash + Short-term investments + Current receivables}}{\text{Current liabilities}}$	Immediate short-term debt-paying abili
Accounts receivable turnover	$= \dfrac{\text{Net sales}}{\text{Average accounts receivable, net}}$	Efficiency of collection
Inventory turnover	$= \dfrac{\text{Cost of goods sold}}{\text{Average inventory}}$	Efficiency of inventory management
Days' sales uncollected	$= \dfrac{\text{Accounts receivable, net}}{\text{Net sales}} \times 365$	Liquidity of receivables
Days' sales in inventory	$= \dfrac{\text{Ending inventory}}{\text{Cost of goods sold}} \times 365$	Liquidity of inventory
Total asset turnover	$= \dfrac{\text{Net sales}}{\text{Average total assets}}$	Efficiency of assets in producing sales
Solvency		
Debt ratio	$= \dfrac{\text{Total liabilities}}{\text{Total assets}}$	Creditor financing and leverage
Equity ratio	$= \dfrac{\text{Total equity}}{\text{Total assets}}$	Owner financing
Debt-to-equity ratio	$= \dfrac{\text{Total liabilities}}{\text{Total equity}}$	Debt versus equity financing
Times interest earned	$= \dfrac{\text{Income before interest expense and income taxes}}{\text{Interest expense}}$	Protection in meeting interest payment:
Profitability		
Profit margin ratio	$= \dfrac{\text{Net income}}{\text{Net sales}}$	Net income in each sales dollar
Gross margin ratio	$= \dfrac{\text{Net sales} - \text{Cost of goods sold}}{\text{Net sales}}$	Gross margin in each sales dollar
Return on total assets	$= \dfrac{\text{Net income}}{\text{Average total assets}}$	Overall profitability of assets
Return on common stockholders' equity	$= \dfrac{\text{Net income} - \text{Preferred dividends}}{\text{Average common stockholders' equity}}$	Profitability of owner investment
Book value per common share	$= \dfrac{\text{Shareholders' equity applicable to common shares}}{\text{Number of common shares outstanding}}$	Liquidation at reported amounts
Basic earnings per share	$= \dfrac{\text{Net income} - \text{Preferred dividends}}{\text{Weighted-average common shares outstanding}}$	Net income per common share
Market Prospects		
Price-earnings ratio	$= \dfrac{\text{Market price per common share}}{\text{Earnings per share}}$	Market value relative to earnings
Dividend yield	$= \dfrac{\text{Annual cash dividends per share}}{\text{Market price per share}}$	Cash return per common share