

WHAT ARE MY BUSINESS FINANCIAL RATIOS?

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INTRODUCTION

A regular review of your company's financial ratios can help you focus on areas that may need improvement. Liquidity, efficiency, and profitability ratios, compared with other businesses in your industry, can highlight any strengths and weaknesses you might have over your competition. It is also important to compare your ratios over time in order to identify trends.

SUMMARY OF INPUT

| | |
|--|--------------|
| Cash and marketable securities | \$1,480,000 |
| Accounts receivable | \$6,410,225 |
| Inventory | \$5,300,000 |
| Current assets | \$13,190,225 |
| Fixed assets (includes building, equipment, land, vehicles, etc., less depreciation) | \$15,200,000 |
| Current liabilities (includes wages, accounts and taxes payable) | \$9,070,000 |
| Long-term liabilities (includes mortgages, notes and deferred taxes) | \$7,928,000 |
| Shareholder's equity | \$11,392,225 |
| Sales | \$36,208,000 |
| Cost of goods sold | \$22,630,000 |
| Gross profit | \$13,578,000 |
| Operating expenses (includes market salaries, selling, and other administrative expenses) | \$7,739,460 |
| *Excess compensation paid to owners (if applicable) | \$0 |
| Operating income | \$5,838,540 |
| Investment income | \$0 |
| Interest expense | \$1,538,032 |
| Income before taxes | \$4,300,508 |
| Taxes | \$602,071 |
| Net profit | \$3,698,437 |
| "Adjusted" net profit* | \$3,698,437 |

ANALYSIS

Financial ratios are best analyzed by comparing the ratios with industry averages and by comparing the trends in a firm's ratios over time.

| | Calculation | Value | Description |
|-------------------------|--|-------|---|
| Liquidity | | | |
| Current | current assets / current liabilities | 1.5 x | The best single indicator of the extent to which the claims of short-term creditors are covered by assets that have similar maturities. Generally, the higher the better. |
| Quick (acid test) | (current assets - inventories) / current liabilities | 0.9 x | The ability of firm to pay short-term obligations without relying on the sale of inventories. |
| Asset Management | | | |
| Inventory turnover | sales / inventory | 6.8 x | This ratio roughly estimates how many times inventory is turned over per year. This does not take into account seasonal trends. |

This information may help you analyze your financial needs. It is based on information and assumptions provided by you regarding your goals, expectations and financial situation. The calculations do not infer that the company assumes any fiduciary duties. The calculations provided should not be construed as financial, legal or tax advice. In addition, such information should not be relied upon as the only source of information. This information is supplied from sources we believe to be reliable but we cannot guarantee its accuracy. Hypothetical illustrations may provide historical or current performance information. Past performance does not guarantee nor indicate future results.

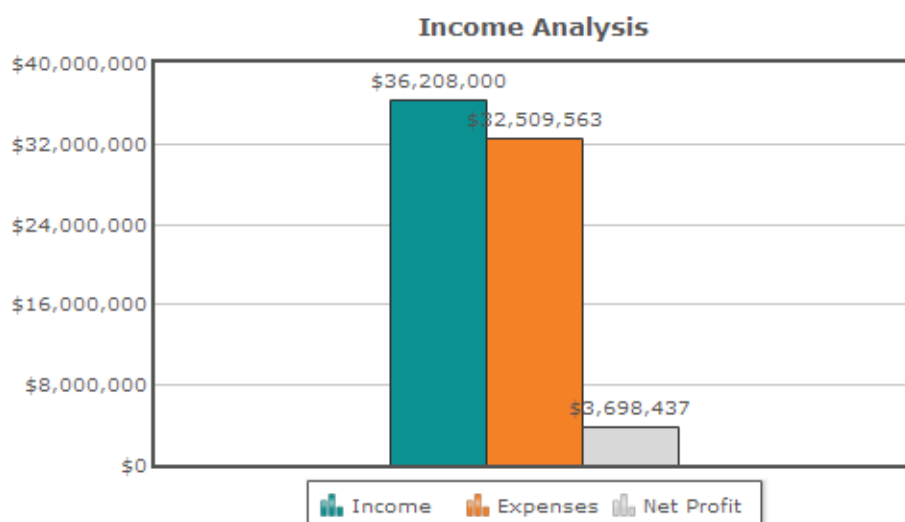
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|---------------------------|---|---------|--|
| Average collection period | $\text{receivables} / \text{sales} / 360$ | 64 days | The average length of time that the firm must wait after making a sale before receiving cash. Total sales is used rather than credit sales which is usually unavailable. |
| Fixed assets turnover | $\text{sales} / \text{fixed assets}$ | 2.4 x | This measures the utilization of plant and equipment. |
| Total assets turnover | $\text{sales} / \text{total assets}$ | 1.3 x | This measures the utilization, or turnover, of all the firm's assets. |

Debt Management

| | | | |
|-----------------------|---|--------|---|
| Debt to total assets | $\text{total debt} / \text{total assets}$ | 59.9 % | This measures the percentage of total funds provided by creditors. Creditors prefer a low debt ratio, since the lower the ratio, the greater the cushion in the event of liquidation. |
| Times interest earned | $\text{EBIT} / \text{interest charges}$ | 3.8 x | The TIE ratio measures the extent to which earnings can decline before the firm is unable to meet its annual interest costs. It uses before-tax profit because interest is paid with pre-tax dollars. |

Profitability

| | | | |
|------------------------|--|--------|--|
| Profit margin on sales | $\text{"adjusted" net income} / \text{sales}$ | 10.2 % | Profitability ratios show the combined effects of liquidity, asset and debt management on operating results. This ratio shows the profit per dollar of sales. If applicable, income has been adjusted upward to take into account excess compensation to owners. |
| Earning power | $\text{"adjusted" EBIT} / \text{total assets}$ | 20.6 % | A useful ratio when comparing companies with different tax situations and with different levels of debt. If applicable, income has been adjusted upward to take into account excess compensation to owners. |
| Return on assets (ROA) | $\text{"adjusted" net income} / \text{total assets}$ | 13.0 % | This measures the return after interest and taxes on total assets. If applicable, income has been adjusted upward to take into account excess compensation to owners. |
| Return on equity (ROE) | $\text{"adjusted" net income} / \text{equity}$ | 32.5 % | This measures the rate of return on the common stockholders' investment. If applicable, income has been adjusted upward to take into account excess compensation to owners. |



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