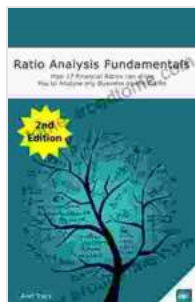


# How 17 Financial Ratios Can Allow You To Analyse Any Business On The Planet



## Ratio Analysis Fundamentals: How 17 Financial Ratios Can Allow You to Analyse Any Business on the Planet

by Axel Tracy

★★★★☆ 4.1 out of 5

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Financial analysis is a powerful tool that can be used to assess the financial health of a business. By analyzing a company's financial statements, you can gain insights into its profitability, solvency, and liquidity. This information can be used to make investment decisions, assess creditworthiness, and identify potential risks.

There are many different financial ratios that can be used to analyze a business. However, some of the most important ratios include:

- **Profitability ratios:** These ratios measure a company's profitability, or its ability to generate earnings. Some common profitability ratios include gross profit margin, operating profit margin, and net profit margin.
- **Solvency ratios:** These ratios measure a company's ability to meet its financial obligations. Some common solvency ratios include the debt-to-equity ratio, the current ratio, and the quick ratio.
- **Liquidity ratios:** These ratios measure a company's ability to meet its short-term financial obligations. Some common liquidity ratios include the cash ratio, the acid-test ratio, and the working capital ratio.

## **How to Use Financial Ratios**

Financial ratios can be used to analyze a business in a number of ways. One common approach is to compare a company's ratios to industry averages. This can help you to identify areas where the company is performing well or poorly.

Another approach is to track a company's ratios over time. This can help you to identify trends and patterns that may indicate financial problems or

opportunities.

Finally, financial ratios can be used to compare different companies. This can help you to identify companies that are undervalued or overvalued.

## **The 17 Financial Ratios**

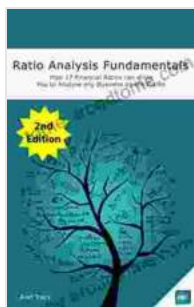
The following 17 financial ratios are some of the most important ratios that you can use to analyze a business:

1. Gross profit margin
2. Operating profit margin
3. Net profit margin
4. Debt-to-equity ratio
5. Current ratio
6. Quick ratio
7. Cash ratio
8. Acid-test ratio
9. Working capital ratio
10. Inventory turnover ratio
11. Days sales outstanding
12. Payables turnover ratio
13. Return on assets
14. Return on equity

15. Earnings per share
16. Price-to-earnings ratio
17. Dividend yield

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The 17 financial ratios that are discussed in this book are some of the most important ratios that you can use to analyze a business. By understanding how to use these ratios, you can gain a better understanding of a company's financial health and make more informed investment decisions.



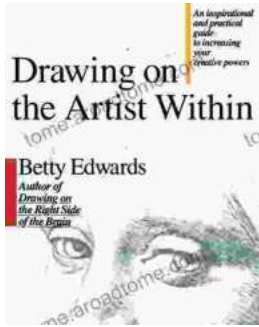
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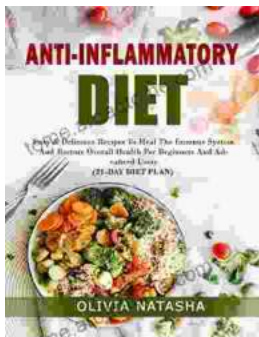
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