



Ratio formulae

Gross profit margin = $\text{gross profit} \div \text{sales} \times 100$

Net profit margin = $\text{net profit} \div \text{sales} \times 100$

Return on capital employed = $\text{net profit} \div \text{capital employed} \times 100$

Current ratio = $\text{current assets} \div \text{current liabilities}$

Acid test = $(\text{current assets} - \text{stock}) \div \text{current liabilities}$

Debtor days = $\text{debtors} \div \text{sales turnover} \times 365$

Creditor days = $\text{creditors} \div \text{purchases} \times 365$

Stock turnover (times a year) = $\text{cost of goods sold} \div \text{average stock}^*$

*Average stock = $\text{opening stock} + \text{closing stock} \div 2$

Stock turnover (days) = $365 \div \text{stock turnover (times a year)}$