

Learn Financial Statement Analysis ([Click Here](#))

Tutorials taking you through the income statement, balance sheet and cash flow statement.

Learn ratios to better interpret financial statements and accurately value stocks.

20 Financial Ratios to Measure a Company's Health

Solvency

Quick Ratio	= (Current Assets - Inventories) / Current Liabilities
Current Ratio	= Current Assets / Current Liabilities
Total Debt/Equity Ratio	= Total Liabilities / Shareholders Equity
Long Term Debt/Equity Ratio	= Long Term Debt / Shareholders Equity
Short Term Debt/Equity Ratio	= Short Term Debt / Shareholders Equity

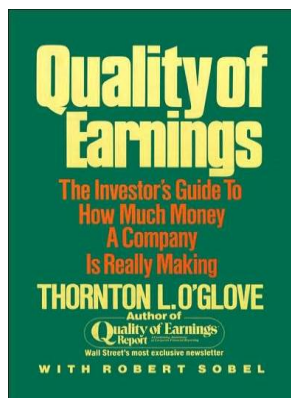
Liquidity Ratios

Days Sales Outstanding	= (Receivables / Revenue) x 365
Days Inventory Outstanding	= (Inventory / COGS) x 365
Days Payable Outstanding	= (Accounts Payable / COGS) x 365
Cash Conversion Cycle	= DSO + DIO - DPO
Receivables Turnover	= Revenue / (Average of Current and Prior Year Receivables)
Inventory Turnover	= COGS / (Average of Current and Prior Year Inventory)
Average Age of Inventory (Days)	= 365 / Inventory Turnover
Intangibles % of Book Value	= Intangibles / Shareholders Equity
Inventory % of Revenue	= Inventory / Revenue

Capital Structure Ratios

LT-Debt as % of Invested Capital	= Long Term Debt / Invested Capital
ST-Debt as % of Invested Capital	= Short Term Debt / Invested Capital
LT-Debt as % of Total Debt	= Long Term Debt / Total Liabilities
ST-Debt as % of Total Debt	= Short Term Debt / Total Liabilities
Total Liabilities % of Total Assets	= Total Liabilities / Total Assets
Working Capital % of Price	= Working Capital / Market Cap

Highly Recommended Book: Quality of Earnings



This is my favorite investment book to date. I reference it all the time.
If you have a good understanding of the above ratios, you will love this book.

From this book, you will learn how to interpret the financial statements from an investors point of view and learn ways to determine the true health of a company and quality of earnings.

- Learn to find errors or hidden trends in the income statement.
- Learn how to analyze inventory to prevent you from being victim to surprises

This book is just full of useful and practical lessons you can start applying immediately.