**Efficiency ratios**

**Debtors collection period**

Debtors X 365 = x Days  
Sales  
This shows how long it is taking the average debtor to pay.

**Suppliers payment period**

Trade Payables X 365 = x Days  
Cost of sales  
This shows how long it is taking us to pay our suppliers.

**Asset Turnover**

Sales = X Times  
Capital Employed  
This shows the productivity of the company capital, indicating the level and speed of trading activity.  
In general terms the higher the asset turnover the harder the assets are being worked and the greater will be the profit.

**Inventory turnover**

Cost of Sales = X Times  
Inventory  
This shows the number of times inventory is being used up in the year.

**Financial Leverage (Debt) ratio**

**Gearing ratio**

Long term debt  
Long term debt + equity  
This ratio shows how much of the company’s financing is from debt, if the ratio is significantly > 50% then it is highly geared and more risky (due to high interest payments and most if not all major assets secured against loans)