DY = (ORDINARY SHARE DIVIDEND / MKT PRICE) * 100

The higher the better. Related to the return on the investment to the share price.

GEARING

- Financial position
- Loans/Capital
- High gearing => Loans > Capital

GEARING RATIO = (LONG TERM LOANS / CAPITAL EMPLOYED)* 100

The higher the ratio, the more the business is exposed to interest rate fluctuations and to having to pay back interest and loans before being able to reinvest earnings;

PROFITABILITY

- profit in relation to sales/assets
- Profit margins
- ROCE
- higher the better

Profitability measures look at how much profit the firm generates from sales or from its capital assets. Different measures of profit => gross and net.

GROSS PROFIT = TOTAL REVENUE — VARIABLE COSTS

NET PROFIT = TURNOVER — OVERHEADS

GROSS PROFIT MARGIN = (GROSS PROFIT / TURNOVER) * 100

- the higher the better
- Enables the firm to assess the impact of of its sales and how much it cost to generate produce those sales.
- A gross profit margin of 45% means that for every £1 of sales, the firm makes 45p in gross profit.

NET PROFIT MARGIN = (NET PROFIT / TURNOVER) * 100

- Net profit takes into account the fixed costs involved in production=> the overheads.
- Keeping control over fixed costs is important => could be easier to overlook for example the amount of waste (paper, light, etc)

ROCE = (PROFIT / CE) * 100