C. **Solvency Ratios**

They emphasize the long-term commitments to the creditors. Long term liabilities or claims of creditors on a firm's income must be paid before payment of dividends to Share holders. Failure to meet these claims may result in legal action to force their fulfillment. They are as follows.

1. Debit Ratio = $\frac{\text{Total liabilities}}{\text{Total assets}}$

2. Debt- Equity Ratio = $\frac{\text{Total Liabilities}}{\text{Total Shareholders' Equity}}$

D. **Profitability Ratios**

They measure the overall records of management in producing profiles. If a firm does not earn an adequate profit, its long-term survival will be threatened. For example if profit is too low, the investors will be reluctant new capital, which in turn, damages the firm's growth. They are as follows.

1. Gross Profit % = $\frac{\text{Gross Profit}}{\text{Sales}} \times 100$

2. Net Profit % = $\frac{\text{Net Profit}}{\text{Sales}} \times 100$

3. Operating Expenses % = $\frac{\text{Operating Expenses}}{\text{Sales}} \times 100$

4. Cost Of Goods Sold = $\frac{\text{Cost Of Goods Sold}}{\text{Sales}} \times 100$

E. **Other Financial Ratios**

1. Equity Ratio = $\frac{\text{Total Shareholders' Equity}}{\text{Total Assets}}$

2. Earnings Per Share = $\frac{\text{Net Profit}}{\text{No. of Issued Shares}}$

3. Price Earnings Ratio = $\frac{\text{Market Price Per Share}}{\text{Earnings Per Share}}$

4. Dividend Payout = $\frac{\text{Dividend Per Share}}{\text{Earnings Per Share}}$

5. Dividend Yield = $\frac{\text{Dividend Per Share}}{\text{Market Value Per Share}}$

6. Book Value Per Share = $\frac{\text{Shareholders' Equity}}{\text{Number of Share}}$