

- **TIMES INTEREST EARNED RATIO** – measures the number of times that earnings before interest and taxes cover or exceed the company's interest expense.
- D. **PROFITABILITY RATIOS** – these ratios measure how much operating income or net income a company is able to generate in relation to its assets, owner's equity and sales. Among the profitability ratios are the ff.
 - **PROFIT MARGIN RATIO** – compares the net profits with the level of sales.
Profit Margin Ratio = net profit/ net sales
 - **RETURN ON ASSETS RATIO** – shows how much income the company produces for every peso invested in assets.
 - **RETURN ON EQUITY RATIO** – measures the returns on the owner's investments
Return on Equity Ratio = net income/ equity

IDENTIFYING CONTROL PROBLEMS – recognizing the need for control is one thing implementing it is another. When operations become complicated the manager must consider useful steps in controlling.

The following approaches may be useful:

1. Executive reality check
2. Comprehensive Internal Audit
3. System of inadequate control
 - A. An unexplained decline in income and profits
 - B. Customers complaining about poor services they get from the company
 - C. Employee dissatisfaction characterized by complaints.

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