MS-12: FINANCIAL STATEMENT ANALYSIS

SOLVENCY (OR Short-Term Financial Position **)**		
WORKING CAPITAL TURNOVER	$\frac{\text{Net Sales}}{\text{Average Working Capital}}$	Indicates adequacy of working capital to support operation (sales).
DEFENSIVE INTERVAL RATIO	$\frac{\text{Current Liabilities}}{\text{Cash and cash Equivalents}}$	Measures coverage of current liabilities.
PAYABLE TURNOVER	$\frac{\text{Net Purchases}}{\text{Average Accounts Payable}}$	Measures efficiency of the company in meeting the accounts payable.
FIXED ASSETS TO LONG-TERM LIABILITIES	$\frac{\text{Fixed Assets}}{\text{Long term Liabilities}}$	Reflects extent of the utilization of resources from long-term debt. Indicative of sources of additional funds.
INDICATIVE OF **INCOME POSITION**		
RATE OF RETURN ON AVERAGE CURRENT ASSET	$\frac{\text{Income}}{\text{Average Current Assets}}$	Measures the profitability of current assets invested.
OPERATING PROFIT MARGIN	$\frac{\text{Operating Profit}}{\text{Net Sales}}$	Measures profit generated after consideration of operating costs.
CASH FLOW MARGIN	$\frac{\text{Operating Cash Flow}}{\text{Net Sales}}$	Measures the ability of the firm to translate sales to cash.