Efficiency ratios

Debtors collection period

$$\frac{\text{Debtors}}{\text{Sales}} \times 365 = x \text{ Days}$$

This shows how long it is taking the average debtor to pay.

Suppliers payment period

$$\frac{\text{Trade Payables}}{\text{Cost of sales}} \times 365 = x \text{ Days}$$

This shows how long it is taking us to pay our suppliers.

Asset Turnover

$$\frac{\text{Sales}}{\text{Capital Employed}} = X \text{ Times}$$

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

$$\frac{\text{Cost of Sales}}{\text{Inventory}} = X \text{ Times}$$

This shows the number of times inventory is being used up in the year.

Financial Leverage (Debt) ratio

Gearing ratio

$$\frac{\text{Long term debt}}{\text{Long term debt + equity}}$$

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)