

Financial Ratio Analyses

Profitability Ratios could be as follows :

- a) Gross Profit Margin
- b) Operating Profit Margin
- c) Net Profit Margin
- d) Return on Total Assets(ROA)
- e) Return on Total Stockholders Equity(ROE)
- f) Earnings per share
- g) Price-Earnings Ratio

Gross Profit Margin= $\frac{\text{Sales minus cost of goods sold}}{\text{Sales}}$

Operating Profit Margin= $\frac{\text{Earnings before interest and taxes(EBIT)}}{\text{Sales}}$

Earnings per share = $\frac{\text{Net income}}{\text{number of shares of common stock outstanding}}$

Price - Earnings Ratio = Market price per
share / Earnings per share