# GUIDE TO COMPLETING FINANCIAL INDICATORS

- Complete both Primary and Secondary Indicators.
- Only complete those indicators relevant to your Industry sector as defined in the ‘Relevant Sector’ column.
- Enter data into ‘Calculation’ column below the explanation.
- Complete ‘Self Insurer’ name at the bottom of the page.
- Complete ‘Data for Year Ending’ at the bottom of the page.

# Financial Indicators

**Financial Indicator Definitions – Primary Indicators**

| Primary Indicators | Relevant Sector | Indicator Result | Definition | Calculation |
|---|---|---|---|---|
| Balance Sheet Test | All industry sectors. | Straight measure | Provides a measure of an entity's financial situation.<br><br>It indicates if an entity has the tangible resources to meet the payment of its liabilities. The higher the indicator result, the better. | Balance sheet test<br>= Total Tangible Assets / Total Liabilities |
| Current Liquidity | Manufacturing, Retail, Transport and Other. | Straight measure | Measures an entity's liquidity or its ability to meet its short-term obligations (ie pay its creditors and repay short term debts). The higher the indicator result, the better.<br><br>The current assets used to calculate the ratio may include items that are difficult to liquidate quickly and/or have uncertain liquidation values. (This is overcome in the Quick Liquidity ratio). | Current Liquidity<br>= Current Assets / Current Liabilities |

| Primary Indicators | Relevant Sector | Indicator Result | Definition | Calculation |
|---|---|---|---|---|
| | | | | |
| Quick Liquidity | Manufacturing, Retail, Transport and Other. | Straight measure | An additional measure of liquidity that excludes inventory from current assets.<br><br>It indicates the extent to which an entity can pay its current liabilities prior to liquidating its inventory.<br><br>Inventory is excluded, so that only items which can be readily converted to cash are included in the calculation of the ratio. The higher the indicator result, the better. | Quick Liquidity<br>= <u>Current Assets less Stock</u><br>Current Liabilities |
| Interest Coverage | Manufacturing, Retail, Transport and Other. | Number of times. | A measure of an entity's ability to meet its debt obligations.<br><br>It indicates how many times an entity can cover its interest expense on a pre tax basis.<br><br>The higher the indicator result, the better. | Interest coverage<br>= <u>Net Profit Before Tax</u><br>Net Interest Expense |

| Primary Indicators | Relevant Sector | Indicator Result | Definition | Calculation |
|---|---|---|---|---|
| | | | | |
| Return on Investment | All industry sectors. | % measure | Measures the rate of return generated on the equity employed by the entity. The higher the indicator result, the better. | Return on Investment<br>= Net Profit Before Tax<br>Total Equity |
| Claims Liability as % of net assets | All industry sectors. | % measure | Indicates the proportion of the entity's claims liabilities to its net assets. The lower the indicator result, the better. | CL as % of net assets<br>= Outstanding Claims<br>Net Assets |
| Gearing Ratio | Manufacturing, Retail, Transport and Other. | % measure | Gearing is a measure of financial leverage, demonstrating the degree to which an entity's activities are funded by creditors' funds vs. owner's funds.<br><br>The higher the leverage, the more sensitive an entity could be to interest rate movements and economic changes in the business cycle.<br><br>The lower the indicator result, the better. | Gearing Ratio<br>= Loan Capital<br>Total Capital Employed<br><br>Note: Loan Capital is defined as any external third party loans – ie interest bearing loans and borrowings. Capital Employed is equal to the sum of Loan Capital + Total Equity. |

**Financial Indicator**

| Secondary Indicators | Relevant Sector | Indicator Result | Definition | Calculation |
|---|---|---|---|---|
| Bad Debt Ratio | Finance. | % measure | It measures the quality of assets held by the financial institution.<br><br>It also indicates quality of credit assessment and management.<br><br>The lower the indicator result, the better. | Bad Debt ratio<br>= Non Performing Assets<br>Customer Loans |
| Cash & Liquid Assets | Finance. | $ measure | An APRA requirement designed to monitor minimum levels of liquidity required by financial institutions. The result of the calculation is compared to actual cash and liquid assets.<br><br>The higher the amount of total liabilities covered by cash and liquid assets, the better.<br><br>*Note: If an entity does not meet the benchmark on this indicator, it does not result in an automatic failure. Reference will also be made to the entity's indicator results on its current and quick liquidity prior to a final conclusion.* | Cash & Liquid Assets<br><br>Calculation is<br>= $5 million + 30% of Total Liabilities<br><br>This should then be compared to the cash and liquid assets per the entity's balance sheet. |
| Excess Capital | Finance. | % measure | An APRA requirement designed to | Excess Capital |

| Secondary Indicators | Relevant Sector | Indicator Result | Definition | Calculation |
|---|---|---|---|---|
| | | | monitor the net asset position of financial institutions.<br><br>The higher the indicator result, the better.<br><br>*Note: The ratio cannot be calculated from the statutory financial statements as they do not disclose the risk adjusted assets. The financial institution would have the ratio readily calculated for APRA reporting purposes. The result for this indicator is to be obtained directly from the entity.* | = <u>Total Capital</u><br>Risk Adjusted Assets |
| Stock Turnover | Manufacturing, Retail and Other. | Number of times. | It indicates the number of times the entity has turned over or sold its inventory.<br><br>It is an indicator of inventory and working capital management. The higher the indicator result, the better. | Stock Turnover<br>= <u>Cost of Goods Sold</u><br>Average Stock |
| Debtor Turnover | Manufacturing and Transport. | Number of | This ratio gives the number of days it | Debtor collection period |

| Secondary Indicators | Relevant Sector | Indicator Result | Definition | Calculation |
|---|---|---|---|---|
| | | days. | takes for an entity to collect its debts.<br><br>It is an indicator of credit and working capital management. The lower the indicator result, the better. | = <u>Debtors x 365 days</u><br>Sales |
| Revenue Growth | All industry sectors. | % measure | The increase (ie growth) or decrease in revenue earned in the current year as compared to the prior year. The higher the indicator result, the better. | Revenue Growth<br>= <u>(CY Revenue/PY Revenue)</u><br>PY Revenue<br><br>CY: Current Year<br>PY : Prior Year |
| Labour Costs | Transport. | % measure | Measures the ratio of salaries and related employee benefits costs (which are a significant expense item for entities in the transport industry) to revenue generated. The lower the indicator result, the better. | Labour costs<br>= <u>Labour Costs</u><br>Total Revenue |
| Customer Loan Ratio | Finance. | Straight measure | Assesses the customer loan portfolio (the core trading of financial institutions) against its adjusted asset position.<br><br>The lower the ratio of the value of | Bad Debt ratio<br>= <u>Net Customer Loans</u><br>Risk Adjusted Assets |

| Secondary Indicators | Relevant Sector | Indicator Result | Definition | Calculation |
|---|---|---|---|---|
| | | | loans vs the value of assets, the better.<br><br>*Note: The ratio cannot be calculated from the statutory financial statements as they do not disclose the risk adjusted assets. The result for this indicator is to be obtained directly from the entity.* | |
| Net Interest Margin | Finance. | Straight measure | Assesses the core trading business via the net interest income generated by a financial institution.<br><br>The higher the measure (ie positive net interest) the better. | Net Interest Margin<br>= Net Interest Income / Total Assets |
| Operating Costs to Revenue. | Finance. | % measure | Measures a financial institution's operating costs (which are outside its core trading business) to revenue generated. The lower the indicator result, the better. | Op Costs to Revenue<br>= Operating Costs / Total Revenue |