Financial Ratio Cheat Sheet

Gross Profit Percentage	$\frac{\text{Gross Profit}}{\text{Sales}}$	Gross Profit Percentage shows how much of each sale is pure profit after costs. It's like a business's report card: the higher the percentage, the better the business is at keeping money from each sale. It's a quick way to gauge your business' money-making efficiency.
Net Profit Percentage	$\frac{\text{Net Profit}}{\text{Sales}}$	Net Profit Percentage shows how much of every dollar earned turns into profit after all expenses are paid. Think of it as the company's "take-home pay" rate. If it's high, the company's doing a good job of keeping costs in check and making money. It's a quick way to see how well a business is performing financially.
Return on Investment	$\frac{\text{Net Profit}}{\text{Shareholders Equity}}$	Return on Investment, or ROI, is like a report card for your money. It tells you how well your investment is doing. If you spend $100 on a project and make $120 back, you've earned a positive ROI. The higher the percentage, the better your investment performed. It's a quick way to see if you're getting good value for what you've put in.
Working Capital Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	The working capital ratio shows if you have enough short-term assets (like cash and inventory) to cover your short-term debts. Think of it as a company's short-term financial safety net. If the ratio is over 1, the company's in a good spot. If it's less than 1, the company might struggle to pay its bills. It's a quick way to check your business' financial health.
Debtor Days	$\frac{\text{Avg Debtors (ex GST)}}{\text{Cred Sales / 365}}$	Debtor days show how long, on average, it takes a company to get paid after making a sale. Think of it like a timer starting once you've sold something and stopping when you get the cash. Fewer days? Great! You're getting paid quickly. More days? It might mean customers are taking their time to pay. This metric is valuable because it helps businesses understand their cash flow and if they might face any cash shortages
Stock Days	$\frac{\text{Avg Stock}}{\text{Cost of Sales / 365}}$	Stock days measure how long, on average, items sit in inventory before being sold. A low number means items sell fast, which is generally good. A high number can signal overstock or slow sales. It's a key number to watch because it helps you manage your inventory efficiently and dont have too much money in unsold goods.
Breakeven	$\frac{\text{Fixed Costs}}{\text{(Selling Price per Unit - Variable Cost per Unit)}}$	Breakeven is the magic point where a business's costs equal its sales. Before this point, you're losing money; after, you're making a profit. By knowing your breakeven, you can pinpoint when you'll start earning and set clear sales goals. It's a compass for financial success.