TONGA SCHOOL CERTIFICATE

ACCOUNTING

FORMULAE FOR RATIO ANALYSIS

Formulae for Analysis of Financial Information

Mark Up Percentage	$\frac{\text{Gross Profit}}{\text{Cost of Sales}} \times \frac{100}{1}$
Gross Profit Percentage	$\frac{\text{Gross Profit}}{\text{Net Sales}} \times \frac{100}{1}$
Expenses Percentage	$\frac{\text{Expenses}}{\text{Net Sales}} \times \frac{100}{1}$
Net Profit Percentage	$\frac{\text{Net Profit}}{\text{Net Sales}} \times \frac{100}{1}$
Return on Owners Equity	$\frac{\text{Net Profit}}{\text{Average Owners Equity}} \times \frac{100}{1}$
Return on Average Total Assets	$\frac{\text{Net Profit}}{\text{Average Total Assets}} \times \frac{100}{1}$
Working Capital Amount	**Current Assets - Current Liabilities**
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Liquid Ratio	$\frac{\text{Current Assets} - (\textit{Inventories Prepayments})}{\text{Current Liabilities} - (\textit{Secured Bank Overdraft})}$
Equity Ratio	$\frac{\text{Owners Equity}}{\text{Total Assets}}$
Debt Ratio	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$
Inventory Turnover	$\frac{\text{Cost of Goods Sold}}{\text{Average Inventories}}$
Accounts Receivable Collection Period	$\frac{\text{Average Accounts Receivable}}{\text{Net Credit Sales}} \times \frac{365}{1}$