

Key Performance Indicators

How Do You Measure Performance?

Operating Activities <i>Profitability & Liquidity</i>	
Profitability	
Gross Margin:	$\frac{\text{Sales} - \text{Cost of Sales}}{\text{Sales}}$
Net Margin:	$\frac{\text{Net Income from Operations}}{\text{Sales}}$
Liquidity	
Current Ratio:	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Inventory Turnover:	$\frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$
Receivable Turnover:	$\frac{\text{Net Sales}}{\text{Average Accounts Receivable}}$

Investing Activities <i>Investment Returns</i>	
Return On Assets:	
ROA	$= \frac{\text{Net income} + \text{Interest} (1 - \text{tax rate})}{\text{Average assets}}$
Return On Investment:	
ROI	$= \frac{\text{Income} - \text{Expenses (Net Profit)}}{\text{Cost or Outlay}}$

Financing Activities <i>Leverage & Equity</i>	
Leverage	
Debt/Equity Ratio:	
	$\frac{\text{Total Liabilities}}{\text{Total Shareholders' Equity}}$
Debt Ratio:	
	$\frac{\text{Total Debt}}{\text{Total Assets}}$
Owner's Equity	
Return On Equity:	ROE
	$\frac{\text{Net income} - \text{Preferred dividends}}{\text{Average common shareholders equity}}$
Earnings Per Share:	EPS
	$\frac{\text{Net Income} - \text{Preferred Dividends}}{\text{Average Shares Outstanding}}$