

Horizontal Analysis

You compare same items from separate years to see how much they have changed.

$(\text{Current Year} - \text{Past year}) / \text{Past Year}$

Vertical Analysis

Each dollar is stated as a percentage of a base amount (usually net sales)

$\text{Each Item} / \text{Net Sales}$

Current Ratio

Relationship between current assets and current liabilities.

$\text{Current Assets} / \text{Current Liabilities}$

This tells you if a company is in good position to pay their bills.
(2:1 is recommended)

Quick Ratio

Relationship b/w short-term liquid assets and current liabilities

$\text{Cash \& Receivables} / \text{Current Liabilities}$

(1:1 is usually adequate)

Working Capital

After paying your short-term liabilities, what do you have left over for investing, purchase inventory, obtain credit, etc.

$\text{Current Assets} - \text{Current Liabilities} = \text{Working Capital}$

Return on Common Stockholder's Equity

$\text{Net Income} / \text{Average Common Stock Equity}$

Return on Sales

What portion of each dollar of sales represents profit.

$\text{Net Income} / \text{Net Sales}$