**Accounting Concepts for FINA4200**

1. Total Assets (TA) = Current Assets (CA) + Fixed Assets (FA)
2. Total Liabilities (TL) = Current Liabilities (CL) + Long-term Liabilities (LL)
3. Total Equity (EQ) = Common Stocks (CS) + Preferred Stocks (PS) + Retained Earnings (RE)
4. Common Equity (CE or BE)= CS+RE
5. TA = TL + EQ
6. Net P&E = Gross P&E – Accumulated Depreciation
7. RE(t)=RE(t-1) +Net Income(t)-Payout(t)
8. Op CA=CA – ST investment
9. Op CL= CL – “interest bearing current liabilities”=Current non-interest bearing liability
10. NOWC= Operating CA – Operating CL
11. TNOC=(Total assets) – (ST investment) – (non-interest bearing liability)
12. NOPAT = EBIT\*(1 – Tax Rate)
13. FCF = NOPAT - Net investment in TNOC
14. ROIC = NOPAT / TNOC
15. EVA = NOPAT - (WACC) x TNOC = TNOC x (ROIC – WACC)
* Liquidity Ratios
1. Cash Ratio= Cash / Current Liabilities
2. Current Ratio= Current Assets / Current Liabilities
3. Quick Ratio = (Current Asset – Inventory) / Current Liabilities
* Asset Management Ratios
1. Inventory Turnover Ratio = Sales / Inventory
2. Days Sales Outstanding (DSO) = (Receivables/ (Annual Sales/365)
3. Fixed assets turnover ratio =(Sales/Net Fixed Assets)
4. Total assets turnover ratio =(Sales/Total Assets)
* Debt Management Ratios
1. Debt Ratio = Total liabilities/Total assets
2. Time-Interest-Earned (TIE) ratio =EBIT/Interest expense
3. Debt-to-equity ratio=Total liabilities/(Total assets-Total liabilities)
4. Market debt ratio=Total liabilities/(TL+MV of Eq)
5. EBITDA coverage ratio = (EBITDA + Lease payment) /(Interest + Principle payment + Lease payment)

Profitability Ratios

* Profit Margin: profit per dollar sales
1. Gross Profit Margin = GP/Sales
2. Operating Profit Margin = EBIT/Sales
3. Profit Margin = Net income/Sales
* Basic Earning Power (BEP) Ratio: EBIT per dollar assets
	+ BEP = EBIT/Total assets
* Return on assets & Return on equity
1. ROA = Net Income/Total assets
2. ROE = Net Income/Common Equity
3. ROIC=NOPAT/TNOC