Key Financial Ratios for Retailers

How To Calculate Your Key Financial Ratios	Where To Find The Numbers To Use	What The Ratios Tell You
Current Ratio= Current Assets ÷ Current Liabilities	Your balance sheet	Tests for solvency or ability to meet current debt obligations. Measures how well you can pay liabilities due in the short term. *(Higher is better.)*
Debt-To-Worth Ratio= Total Liabilities ÷ Total Owners' Equity	Your balance sheet	Compares the amount in your company owed to creditors to that invested by owners. Measures the financial strength of the business. *(Lower is better.)*
Return On Assets (R.O.A.) = Profit Before Taxes ÷ Total Assets	Your income statement and balance sheet	Indicates pretax return on assets; measures productivity of assets. *(Higher is better.)*
Gross Margin % = Gross Profit $ ÷ Sales	Your income statement (P&L)	Indicates percentage of sales dollars remaining after costs related to purchasing merchandise are recognized. *(Higher is better.)*
Inventory Turnover = COGS (cost of goods sold) ÷ Average Inventory @Cost	COGS - your income statement Inventory - your balance sheet	Measures how often, at present rate of sales, your entire inventory is completely sold and replaced during a given year. *(Higher is better.)*
G.M.R.O.I. (Gross Margin Return On Inventory Investment) = Gross Profit $ ÷ Average Inventory @Cost	Gross Margin - your income statement Inventory @ Cost - your balance sheet	Measures the gross margin returned for each dollar invested in inventory. Measures inventory productivity. *(Higher is better.)*