

# Financial ratios template



How to complete your financial ratios is outlined in section 5.5.1, **Financial ratios, Module 2**, of GRDC's 'Farming the Business'.

Ratio		Formula	Calculation						Result	Weak range	Strong range
<b>Liquidity ratios:</b>											
1.	Current ratio	$M \div P$		÷		x		=		< 1 time	> 1.5 times
2.	Working capital	$M - P$		-		x		=	\$	Negative	Positive/stable
<b>Solvency ratios:</b>											
3.	Equity/assets ratio	$S \div O \times 100$		÷		x		=	%	< 70%	> 90%
4.	Debt/assets ratio	$R \div O \times 100$		÷		x		=	%	> 30%	< 10%
5.	Debt/equity ratio	$R \div S \times 100$		÷		x		=	%	> 40%	< 20%
<b>Profitability ratios:</b>											
6.	Return on assets	$H \div O \times 100$		÷		x		=	%	< 2.5%	> 6%
7.	Return on equity	$J \div S \times 100$		÷		x		=	%	< 2.5%	> 5%
8.	Operating profit ratio	$H \div C \times 100$		÷		x		=	%	< 15%	> 30%
9.	Net profit ratio	$J \div C \times 100$		÷		x		=	%	< 20%	> 30%
10.	Debt to income ratio	$R \div C \times 100$		÷		x		=	%	> 300%	< 100%
<b>Financial/cost efficiency ratios:</b>											
11.	Asset turnover ratio	$C \div O \times 100$		÷		x		=	%	< 15%	> 30%
12.	Input cost ratio	$D \div C \times 100$		÷		x		=	%	> 40%	< 25%
13.	Overhead cost ratio	$\frac{(F+G+Gg)}{\div C}$		÷		x		=	%	> 40%	< 30%
14.	Finance cost ratio	$I \div C \times 100$		÷		x		=	%	> 15%	< 5%
15.	Depreciation ratio	$G \div C \times 100$		÷		x		=	%	> 20%	< 10%
<b>Repayment capacity:</b>											
16.	Interest cover ratio	$H \div I$		÷				=	times	< 1 time	> 2 times
17.	Term debt & lease cover	$(L+I+G)/XX^*$				÷		=	times	< 1 time	> 1.5 times

XX\* equals total annual principal and interest payments, plus any leasing costs.

This template to complete your financial ratios can be downloaded at: [www.grdc.com.au/FBMtemplate-FinancialRatios](http://www.grdc.com.au/FBMtemplate-FinancialRatios)

Source: P2PAgri P/L / Hudson Facilitation