

financial statements

balance sheet: $\text{assets} = \text{liabilities} + \text{equity}$

income statement: $\text{net income} = \text{revenue} - \text{expense}$

cash flow statement (aka statement of cash flows) – What changes occurred in the company's cash position?

SEC EDGAR – 10K (annual report) – 10Q (quarterly update)

Regulation FD (Fair Disclosure)

financial ratios – financial ratio analysis

common stock ratios: (aka market ratios)

earnings per share (aka EPS): $\text{net income} / \text{number of shares outstanding}$ (inc)

price / earnings ratio (aka P/E): $\text{market price of common stock} / \text{earnings per share}$ – most popular ratio (inc)

price / earnings to growth ratio (aka PEG ratio): $\text{stock's P/E ratio} / 3 \text{ or } 5 \text{ year growth rate in earnings}$ (inc)

dividends per share: $\text{annual dividends paid to stockholders} / \text{number of shares outstanding}$ (inc)

payout ratio: $\text{dividends per share} / \text{earnings per share}$ (inc)

book value (aka book value per share): $\text{common stockholders' equity} / \text{number of shares outstanding}$ (bal)

price-to-book-value per share: $\text{market price per share} / \text{book value per share}$

price-to-cash flow per share: $\text{market price per share} / \text{cash flow per share}$

price-to-sales per share: $\text{market price per share} / \text{sales per share}$

profitability ratios:

net profit margin: $\text{net profit after taxes} / \text{net sales (aka total revenues)}$ (inc)

gross margin: $\text{gross profit} / \text{net sales}$ (inc)

operating margin: $\text{operating income} / \text{net sales}$ (inc)

return on assets (aka ROA): $\text{net profit after taxes} / \text{total assets}$ (bal/inc)

return on equity (aka ROE, return on investment): $\text{net profit after taxes} / \text{stockholders' equity}$ (bal/inc)

return on invested capital (aka ROIC): $(\text{net income} - \text{dividends}) / (\text{long-term debt} + \text{stockholders' equity})$

liquidity ratios:

current ratio: $\text{current assets} / \text{current liabilities}$ (should be 1.0 or better) (bal)

net working capital: $\text{current assets} - \text{current liabilities}$ (bal)

acid test ratio (aka quick ratio): $(\text{cash} + \text{accts receivables} + \text{short-term investments}) / \text{current liabilities}$ (bal)

or

acid test ratio (aka quick ratio): $(\text{current assets} - \text{inventory}) / \text{current liabilities}$ (bal)

activity ratios:

accounts receivable turnover: $\text{annual sales} / \text{accounts receivable}$ (bal/inc)

inventory turnover: $\text{annual sales} / \text{inventory}$ (bal/inc)

total asset turnover: $\text{annual sales} / \text{total assets}$ (bal/inc)

leverage ratios:

debt-equity ratio: $\text{long-term debt} / \text{stockholders' equity}$ (bal)

times interest earned: $\text{earnings before interest and taxes} / \text{interest expense}$ (inc)

total debt to total assets: $\text{total debt} / \text{total assets}$ (bal)

total debt to total capitalization: $\text{total debt} / (\text{total debt} + \text{shareholders' equity})$ (bal)