**Ratios: What do I need to know:**



***Notes for Ratios***

Sales - Cost of Sales = **Gross Profit**

Gross Profit – Expenses = **Net Profit**

**Capital Employed =** Add Issued Share Capital/Retained Earnings/Long Term Loan

**Debt Capital =** Long Term Loan

**Equity Capital=** Retained Earnings + Reserves

You then must be able to comment on each Ratio, in particular identfying the followig:

* Definition of Ratio + use for stakeholders
* Comparison with previous year/industry and comment whether pleased or not
* Give recommendation
* Comment on the trend