

5. Ratios – Answer Sheet

1. Net Profit Margin:

$$\text{Net Profit Margin} = \left(\frac{\text{Net Profit}}{\text{Revenue}} \right) \times 100$$

$$\text{Net Profit Margin} = \left(\frac{2,000,000}{10,000,000} \right) \times 100$$

$$\text{Net Profit Margin} = 20\%$$

2. ROE (Return on Equity):

$$\text{ROE} = \left(\frac{\text{Net Profit}}{\text{Equity}} \right) \times 100$$

$$\text{ROE} = \left(\frac{2,000,000}{8,000,000} \right) \times 100$$

$$\text{ROE} = 25\%$$

3. ROA (Return on Assets):

$$\text{ROA} = \left(\frac{\text{Net Profit}}{\text{Total Assets}} \right) \times 100$$

$$\text{ROA} = \left(\frac{2,000,000}{20,000,000} \right) \times 100$$

$$\text{ROA} = 10\%$$

4. Current Ratio:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

(Let's assume Current Assets = \$5,000,000 and Current Liabilities = \$2,000,000)

$$\text{Current Ratio} = \frac{5,000,000}{2,000,000}$$

$$\text{Current Ratio} = 2.5$$

5. Debt-to-Equity Ratio:

$$\text{Debt-to-Equity Ratio} = \frac{\text{Total Debt}}{\text{Equity}}$$

$$\text{Debt-to-Equity Ratio} = \frac{2,000,000}{8,000,000}$$

$$\text{Debt-to-Equity Ratio} = 0.25$$

6. P/E (Price-to-Earnings) Ratio:

$$\text{P/E Ratio} = \frac{\text{Share Price}}{\text{Earnings per Share (EPS)}}$$

(Let's assume Share Price = \$50 and EPS = \$5)

$$\text{P/E Ratio} = \frac{50}{5}$$

$$\text{P/E Ratio} = 10$$

7. PEG (Price/Earnings to Growth) Ratio:

$$\text{PEG Ratio} = \frac{\text{P/E Ratio}}{\text{Growth Rate}}$$

(Let's assume Growth Rate = 15%)

$$\text{PEG Ratio} = \frac{10}{15}$$

$$\text{PEG Ratio} = 0.67$$