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Financial KPIs Handbook

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ACCOUNTING KPIS YOU SHOULD KNOW

Name	Description	Formula
Revenue Growth Rate	Measures the percentage increase or decrease in revenue over a specific period, indicating the company's ability to generate more sales.	((Current Period Revenue - Previous Period Revenue) / Previous Period Revenue) x 100
Net Profit Margin	Measures the percentage of revenue that remains as net profit after deducting all expenses, providing insights into the overall profitability of the company.	(Net Income / Revenue) x 100
Return on Investment (ROI)	Evaluates the efficiency and profitability of an investment by measuring the return generated compared to the initial investment.	(Net Profit / Initial Investment) x 100
Return on Assets (ROA)	Determines the profitability of a company's assets by measuring the net income generated per unit of total assets.	(Net Income / Total Assets) x 100
Return on Equity (ROE)	Measures the profitability of shareholders' investments by assessing the net income generated per unit of shareholders' equity.	(Net Income / Shareholders' Equity) x 100
Equity Ratio	Assesses the proportion of a company's total assets financed by shareholders' equity.	Shareholders' Equity / Total Assets
Current Ratio	Measures the company's ability to pay its short-term obligations with its current assets, indicating its short-term liquidity position.	Current Assets / Current Liabilities
Debt / EBITDA Ratio	Assesses a company's ability to manage its debt obligations, and measures how many times the company's earnings can cover its debt payments.	Total Debt / EBITDA
Debt Service Coverage Ratio (DSCR)	Assesses the company's cash flow available to cover its debt service, including interest and principal payments.	EBITDA / Total Debt Service
EBITDA Margin	Evaluates a company's profitability and operating efficiency by measuring the percentage of revenue represented by EBITDA.	(EBITDA / Total Revenue) x 100

CASH KPIs YOU SHOULD KNOW

Name	Description	Formula
Cash Flow from Operations (CFO)	Measures the net cash generated or used in the business's regular operations.	Profit before Tax – Tax Paid + Non-cash Expenses (e.g. depreciation) - Changes in Working Capital
Current Ratio	Shows the proportion of current assets to current liabilities and indicates the company's ability to pay off short-term obligations.	Current Assets / Current Liabilities
Quick Ratio (Acid-Test Ratio)	Similar to the current ratio but excludes inventory, providing a more immediate measure of liquidity.	(Current Assets - Inventory) / Current Liabilities
Days Inventory Outstanding (DIO)	Measures the average number of days it takes for a company to sell its entire inventory.	(Average Inventory / Cost of Goods Sold) x Number of Days in the Period
Days Sales Outstanding (DSO)	Measures the average number of days it takes for the company to collect payments from customers.	(Accounts Receivable / Total Credit Sales) x Number of Days in Period
Days Payable Outstanding (DPO)	Measures the average number of days it takes for the company to pay its suppliers.	(Accounts Payable / Total Credit Purchases) x Number of Days in Period
Cash Conversion Cycle (CCC)	Calculates the time it takes for a company to convert its investment in inventory into cash from sales.	DIO + DSO – DPO
Cash Burn Rate	Indicates how quickly the company is using up its cash reserves over a specific period.	(Beginning Cash Balance - Ending Cash Balance) / Number of Months
Cash Runway	Measures the number of months until the cash runs out.	Current Cash Balance/ Cash Burn Rate
Free Cash Flow (FCF)	Represents the cash available to the company after all expenses, investments, and other cash flows have been accounted for.	Cash Flow from Operations - Capital Expenditures

INVESTORS KPIs YOU SHOULD KNOW

Name	Description	Formula
Earnings Per Share (EPS)	**Shows the amount of profit generated for each outstanding share of stock.**	**(Net Income - Preferred Dividends) /Average Outstanding Shares**
Price-to-Earnings Ratio (P/E Ratio)	**Indicates how much investors are willing to pay for each dollar of earnings.**	**Stock Price/ Earnings Per Share**
Return on Equity (ROE)	**Measures the profitability generated from shareholders' equity.**	**Net Income / Average shareholders' Equity**
Debt-to-Equity Ratio	**Evaluates the proportion of debt financing compared to equity financing.**	**Total Debt / Shareholders' Equity**
Gross Margin	**Assesses the percentage of sales revenue remaining after deducting the cost of goods sold.**	**(Gross Profit / Revenue) x 100**
Operating Margin	**Shows the profitability of core business operations before interest and taxes.**	**(Operating Income / Revenue) x 100**
Current Ratio	**Measures a company's short-term liquidity and ability to meet immedi-ate obligations.**	**Current Assets / Current Liabilities**
Quick Ratio (Acid-Test Ratio)	**Assesses a company's ability to cover short-term obligations with its most liquid assets (such as cash, cash equivalents, account receivables and marketable securities).**	**(Cash + Accounts Receivables + Marketable Securities) / Current Liabilities**
Return on Investment (ROI)	**Evaluates the return earned from an investment relative to its cost.**	**(Net Profit from Investment/ Cost of Investment) x 100**
Dividend Yield	**Measures the annual dividend income relative to the stock price.**	**(Annual Dividend Per Share / Stock Price) x 100**

INVENTORY KPIs YOU SHOULD KNOW

Name	Description	Formula
Inventory Turnover Ratio	Measures how many times inventory is sold and replaced within a specific period.	Cost of Goods Sold (COGS) / Average Inventory
Days Inventory Outstanding (DIO)	Indicates the average number of days it takes for inventory to be sold.	365 days / Inventory Turnover Ratio
Inventory Carrying Cost	Represents the expenses associated with storing and maintaining inventory. Includes costs like storage, insurance, depreciation, and opportunity cost.	(Inventory Holding Cost / Total Inventory Value) x 100
Stockout Rate	Measures the frequency of running out of stock on a specific item.	(Number of Stockouts / Total Demand) x 100
Fill Rate	Measures the percentage of customer orders that can be fulfilled immediately from available inventory.	(Total Orders Fulfilled / Total Orders) x 100
Lead Time	Measures the time it takes to receive inventory after placing an order.	Order Placed Date – Order Received Date
Inventory Accuracy	Measures the accuracy of recorded inventory levels compared to actual physical inventory.	(Total Actual Inventory / Total Recorded Inventory) x 100
Stock-to-Sales Ratio	Measures the ratio of current inventory levels to average daily sales. Helps predict if excess inventory is being held.	Current Inventory / Average Daily Sales
Obsolete Inventory Ratio	Measures the percentage of inventory that is no longer saleable or usable.	(Value of Obsolete Inventory / Total Inventory Value) x 100
Gross Margin Return on Inventory Investment	Measures the profitability of inventory investments relative to their cost.	(Gross Margin / Average Inventory) x 100

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GROWTH KPIs YOU SHOULD KNOW

Name	Description	Formula
Revenue Growth	Measures the increase in revenue over a specific period, typically expressed as a percentage.	((Current Revenue - Previous Revenue) / Previous Revenue) x 100
Customer Acquisition Cost (CAC)	Calculates how much it costs to acquire each new customer.	Total Cost of Sales and Marketing / Number of New Customers Acquired
Customer Lifetime Value (CLV)	Assesses the total value a customer brings to the company throughout their entire relationship.	Average Purchase Value × Average Purchase Frequency × Average Customer Lifespan
Churn Rate	Monitors the rate at which customers stop using or subscribing to your product or service.	(Number of Customers at the Start of the Period - Number of Customers at the End of the Period) / Number of Customers at the Start of the Period
Monthly Recurring Revenue (MRR)	Tracks the predictable and recurring revenue generated.	Average Revenue Per User x Number of Customers
Net Promoter Score (NPS)	Measures customer satisfaction and loyalty by asking how likely customers are to recommend your product or service to others.	(% of Promoters) - (% of Detractors)
Customer Satisfaction Score (CSAT)	Measures the level of satisfaction that customers have with your product, service, or overall experience, typically measured through surveys.	(Number of Satisfied Responses / Total Responses) x 100
Market Share	Evaluates your company's portion of the total market in terms of revenue.	(Your Company's Sales / Total Market Sales) x 100
Customer Retention Rate	Determines the percentage of customers who continue to use your product or service over time.	((Number of Customers at the End of the Period - Number of New Customers Acquired) / Number of Customers at the Start of the Period) x 100
Gross Margin	Calculates the percentage of revenue remaining after deducting the cost of goods sold (COGS), which reflects your profitability.	((Revenue - Cost of Goods Sold) / Revenue) x 100

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