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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.	$\frac{((\text{Current Period Revenue} - \text{Previous Period Revenue}) / \text{Previous Period Revenue})}{1} \times 100$
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.	$(\text{Net Income} / \text{Revenue}) \times 100$
Return on Investment (ROI)	Evaluates the efficiency and profitability of an investment by measuring the return generated compared to the initial investment.	$(\text{Net Profit} / \text{Initial Investment}) \times 100$
Return on Assets (ROA)	Determines the profitability of a company's assets by measuring the net income generated per unit of total assets.	$(\text{Net Income} / \text{Total Assets}) \times 100$
Return on Equity (ROE)	Measures the profitability of shareholders' investments by assessing the net income generated per unit of shareholders' equity.	$(\text{Net Income} / \text{Shareholders' Equity}) \times 100$
Equity Ratio	Assesses the proportion of a company's total assets financed by shareholders' equity.	$\text{Shareholders' Equity} / \text{Total Assets}$
Current Ratio	Measures the company's ability to pay its short-term obligations with its current assets, indicating its short-term liquidity position.	$\text{Current Assets} / \text{Current Liabilities}$
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.	$\text{Total Debt} / \text{EBITDA}$
Debt Service Coverage Ratio (DSCR)	Assesses the company's cash flow available to cover its debt service, including interest and principal payments.	$\text{EBITDA} / \text{Total Debt Service}$
EBITDA Margin	Evaluates a company's profitability and operating efficiency by measuring the percentage of revenue represented by EBITDA.	$(\text{EBITDA} / \text{Total Revenue}) \times 100$



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.	$(\text{Net Income} - \text{Preferred Dividends}) / \text{Average Outstanding Shares}$
Price-to-Earnings Ratio (P/E Ratio)	Indicates how much investors are willing to pay for each dollar of earnings.	$\text{Stock Price} / \text{Earnings Per Share}$
Return on Equity (ROE)	Measures the profitability generated from shareholders' equity.	$\text{Net Income} / \text{Average shareholders' Equity}$
Debt-to-Equity Ratio	Evaluates the proportion of debt financing compared to equity financing.	$\text{Total Debt} / \text{Shareholders' Equity}$
Gross Margin	Assesses the percentage of sales revenue remaining after deducting the cost of goods sold.	$(\text{Gross Profit} / \text{Revenue}) \times 100$
Operating Margin	Shows the profitability of core business operations before interest and taxes.	$(\text{Operating Income} / \text{Revenue}) \times 100$
Current Ratio	Measures a company's short-term liquidity and ability to meet immediate obligations.	$\text{Current Assets} / \text{Current Liabilities}$
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).	$(\text{Cash} + \text{Accounts Receivables} + \text{Marketable Securities}) / \text{Current Liabilities}$
Return on Investment (ROI)	Evaluates the return earned from an investment relative to its cost.	$(\text{Net Profit from Investment} / \text{Cost of Investment}) \times 100$
Dividend Yield	Measures the annual dividend income relative to the stock price.	$(\text{Annual Dividend Per Share} / \text{Stock Price}) \times 100$



INVENTORY KPIs YOU SHOULD KNOW

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



GROWTH KPIs YOU SHOULD KNOW

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

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