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CSF

S/OE

Profit margin

- = net income / net sales
- % of sales left over after all expenses are paid by the business
- Is the business running efficiently?
- Low profit margin = expenses are too high
- Often used by internal management to set performance goals for the future

Asset turnover ratio

- = sales / average total assets
- Value of company's sales generated relative to value of its assets
- Indicate efficiency

B/D/CR

Days of sales outstanding

- = a/c rec balance / average sales per day (last month/quarter)
- Measures the average number of days of sales invested in debtors
- Sharp increase in DSO could indicate a collectability problem although DSO is influenced by fluctuations in sales

P/AP/CD

- Adequacy of cash to pay suppliers → look at cash flow statement
- Timeliness of payments to suppliers → look at aged paid invoices report
- Identify suppliers who offer most favourable prices and terms
- Payment of suppliers at latest possible dates without losing discounts and damaging relationship with supplier

Inventory

- Days to sell inventory
- Inventory turnover: cost of sales / average inventory level
- Effective management and sale of inventory
- Number of stock outs/production
- Delays/backorders