

13.11: Introduction to Financial Ratios

What you'll learn to do: use financial statements to calculate basic financial ratios to measure the profitability and health of a business

Financial ratios allow consumers of financial information to compare how companies are doing relative to their industry or even how they are faring from one period (month, quarter, year) to another. For the purposes of this course, you will be working with just a couple of these ratios—namely liquidity and profitability. There are lots of other financial ratios, but you can save those for a time when you take full courses in finance and accounting.

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