Using Ratios

Document #:	3181	Product:	CenterPoint® Accounting

The Ratio module allows business owners and managers the ability to track the overall financial condition of their operations over a period of time. The trend analysis within the Ratio module provides you with a tool to help manage and improve your business. The powerful drill-down capabilities allow you to see the data behind the indicators and trend information can be graphed for any number of years in your database. The graphs can be viewed in various formats such as charts, tables and also 3-D graphics.

There is no additional setup required within CenterPoint to utilize the CenterPoint Ratios module; the data is pulled from account categories already assigned to accounts in the software. A wide variety of industry standard ratios are included to calculate the financial analysis patterns and the comparisons of benchmarks in a business.

Prepare a Ratio

1. Select **Reporting Tools** > **Ratios**.
2. The **Ratio Options** will be displayed automatically if this is the first time into Ratios. If it's not displayed, select the **Options** icon to display it. Select the **Company** and Date Range (**From/To**) of data to include in this ratio. Select the **Frequency** you want to include in the X axis of the ratio/index, options are Monthly, Quarterly, or Annually. The date and frequency information will be used as the X-Axis within the ratio.



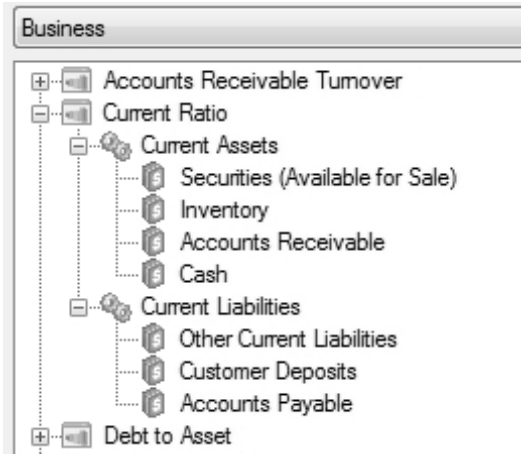
3. Click **OK**.
4. From the row of icons at the top , select the type of chart the ratio information should be displayed in. The drop down box next to each icon lists the variety of line, pie, bar and area charts available to choose from.
5. Select the ratio to display. A list of available ratios is displayed on the left. Each ratio is comprised of components and account categories. The components of each ratio can be displayed by clicking the plus sign to the left of the ratio or by double-clicking on the ratio. If you click the plus sign to the left of the component or double-click on the component, a list

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of the account categories in the component displays. Selecting a ratio will automatically include all components and categories within that ratio. Otherwise you can pick and choose which components and categories to include by clicking on the plus sign, but choosing parts instead of the entire ratio will change the results of the ratio. To include only certain components or categories, select the first account category/component and then hold the CTRL key while you select the other account categories/components you wish to view. Once selected, the category/component icon will be highlighted in green.

In the example below:

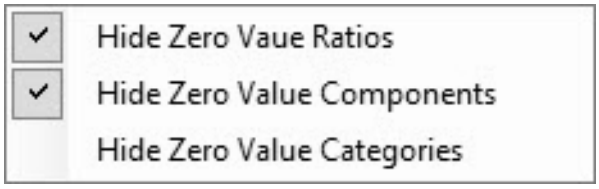
- **Recommended Financial Ratios**, **Alternative Financial Ratios**, and **Other Performance Measures** are ratio grouplevel nodes.
- **Liquidity**, **Solvency**, **Profitability**, etc. are measurement types for ratios.
- ***Current Ratio*** is the **Ratio**, ***Current Assets*** and ***Current Liability*** are both **Components** of the ratio
- **Seed/Plants WIP*Securities (Available for Sale),*** Fuel ***Inventory***, etc. are **Account Categories**. It is very important that all accounts be assigned the correct account category (Setup > Accounts > Accounts) when using ratios.



The measurements available in the Business Ratios are part of three categories:

- **Liquidity Measurements** - Are expressed as ratios and are calculated by dividing one number by another and rounding the result to the nearest tenth. These are also called Balance Sheet Ratios. The ratios in this category are: Quick Ratio, Current Ratio, and Working Capital Ratio.
- **Solvency Measurements** - The ratios in this category are: Debt to Equity Ratio, Debt to Asset Ratio, and Equity to Asset Ratio.
- **Profitability Measurements** - Are all expressed as percentages and are calculated by dividing one number by another and multiplying the result by 100. The ratios in this category are: Return on Assets, Return on Equity, Gross Profit Margin, and Net Profit Margin.

6. Each ratio and index has an accompanying explanation to help you interpret the information. The explanations can be viewed by clicking the **Formula/Description** button at the bottom of the Ratio screen. For your convenience, we've also created a topic that provides a list of the ratios included, and their descriptions and formulas. Please refer to the Ratios: Formulas and Descriptions document
7. Ratios, Components and Categories that have zero values can quickly be hidden from the ratios list by right-clicking and choosing the appropriate option.



8. If you'd like to switch the default order of the X Axis (defaults to chronological) with the most distant year being closest to the left (Y Axis), click the Reverse X Axis button in the toolbar. Click the Reverse X Axis icon again to revert back to Chronological.
9. To print the ratio, select the printer icon . This will print both the chart and the table included in this ratio. To print just the Chart or the Table, click on the drop down box next to the printer and choose the appropriate selection.
10. The ratio can also be exported as a PDF, an Excel spreadsheet, an HTML item or as an image. To export the ratio, click on the ratio button in the toolbar and make the appropriate selection.

Open a Ratio:

1. Select **Reporting Tools** > **Ratios**, and then click .
2. Select the **company** or **companies** you want to include in the ratio/index.
3. Select the **date range** you want to include in the ratio/index.
4. Select the **frequency** you want to include in the X axis of the ratio/index, options are Monthly, Quarterly, or Annually.
5. Click **OK**.
6. Click **OK**.

Print a Ratio:

1. Select **Reporting Tools** menu > **Ratios**.
2. Set **Ratio Options** and **Format**.
3. Open a ratio.
4. Click the drop-down arrow on the **Print** Icon .
5. Select **Chart** to print the graphical image of the ratio or select Table to print a display that is similar to a spreadsheet.
6. Click the **Print** icon . The information will be printed on the Windows default printer.

Export Ratio Information:

1. Select **Reporting Tools** > **Ratios**.
2. Set **Ratio Options** and Format.
3. Open a ratio.
4. Click the **Export** icon .
5. Select to **export the ratio information** to a PDF, HTML, Excel, or Image file.
6. Select the **location** you want to save the export file to.
7. Enter a **filename** for your export file.
8. Click **Save**.

View Ratio Components/Categories:

1. Select the **Reporting Tools** > **Ratios**.
2. Set **Ratio Options** and **Format**.

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3. Open a ratio.
4. Set the **type of chart** you want to display, Line, Pie, Bar, or Area.
5. To view all components that make up a ratio, right-click on the **ratio name** and select **Select Components**. All of the components will display in the format you previously selected on the right side of the Ratio screen.
6. To view only a selected set of components that makeup a ratio, click the **plus sign** next to the ratio name, then select the component(s) you want to view. To select multiple components, hold the CTRL key while you make your selections. Only the selected components will display in the format you previously selected on the right side of the Ratio screen.
7. To view all of the account categories that make up a component for a ratio, perform Steps 1 -3 and Step 4 or 5, and then right-click on a component and select Select Categories. All of the account categories that makeup the component will display in the format you previously selected on the right side of the Ratio screen.