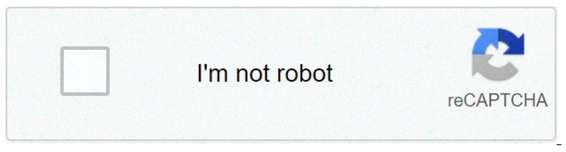

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Calculation for current ratio

The big question for any investor is whether a company is worth putting money into. One of the measures for figuring this out is the retention ratio or plowback ratio. The higher the ratio, the more earnings the company retains rather than issuing them as dividends. To calculate the plowback ratio, divide the dividends per share by the earnings per share. Subtract the result from one and turn that figure into a percentage. The higher the number, the larger the retention ratio. Suppose a company wraps up the year and issues a $2-per-share dividend. The earnings per share are $4. The first step in calculating the plowback ratio is to divide earnings into dividends, giving you 1/2. If you subtract that from 1, you get 1/2; turn that into a percentage and you have a retention ratio of 50%. If, on the other hand, you had the same dividend but earnings of $5 per share, you'd end up with a 60% plowback ratio. If all the earnings are issued as dividends, the ratio would be 1 minus 1, equalling zero. That company is not plowing any of its earnings back into operations. Ratios help evaluate companies by taking size out of the picture. Whether a company declares $500 dividends and $2,000-a-share earnings or $5 dividends and $20 earnings, they'll have the same plowback ratio. That makes it easier to compare them. If a company is high growth, a high retention figure shows they're plowing back earnings into operations so that they can keep expanding. If a company's growth is sluggish, a high plowback ratio means they're simply hanging on to the money but not using it. Investors might prefer larger dividends. A retention ratio of zero or close to it shows the company's earnings are going overwhelmingly or entirely to dividends. The business may not be reserving enough money for its capital needs and probably won't be able to sustain its current dividends in future years. A high or low plowback ratio isn't automatically good or bad. If everything else about two companies is equal, different investors will favor different plowback ratios. An income-oriented investor might prefer a company with a low plowback ratio, showing the firm prioritizes dividends over growth. Other investors would sooner see a high ratio, showing the company is investing in growing its operations. One drawback to using retention ratio as a measure is that the earnings per share don't match the cash flow per share, which is the net cash flow for the year divided by the number of shares. If the earnings are $2.50 per share but cash flow is only $1.50, the company doesn't have the cash on hand to pay $2.50 per share dividends. The plowback ratio doesn't reveal this. A high plowback ratio shows the company is putting money into growth. Even so, it's possible the company is growing faster than it can support without borrowing more money or issuing more stock. Investors concerned about that can use the sustainable growth rate formula to get an answer. First, figure the dividend payout ratio, which is total dividends divided by net income. Subtract this from 1 and then multiply it by the return on equity to get the sustainable growth rate. For example, suppose you have a company with 20% dividend payout ratio and a 20% return on equity. One minus 20% equals 80%; multiply that by 20% to get 16%. That's the rate of growth the company can manage without needing extra money. Impact ratio is the selection rate for a group belonging to a protected category divided by the selection rate of the most selected group. Adverse impact occurs when identical selection procedures are used for all groups, but systematically negatively affect a particular group. Adverse impact is determined using the four-fifths rule as defined in the Uniform Guidelines for Employee Selection Procedures. The four-fifths rule states “a selection rate for any race, sex, or ethnic group which is less than four-fifths (or 80 percent) of the rate for the group with the highest rate will generally be regarded by the Federal enforcement agencies as evidence of adverse impact, while a greater than four-fifths rate will generally not be regarded by Federal enforcement agencies as evidence of adverse impact.” Determine the selection rate for protected groups comprising more than 2 percent of the entire applicant group by dividing the number of applicants hired within a group by the total number of applicants in the group. Designate a majority group by observing which group has the greatest selection rate. Divide the selection rate for each group by the selection rate of the majority group to calculate the impact ratio. Remember, majority is defined as the group with the highest selection rate. Analyze the selection rates for variance. If the impact ratio is less than 80 percent, there is a violation of the four-fifths rule. Warnings This ratio is vulnerable to error, especially if the sampling group is small. When you’re working with options margins, there’s plenty of potential for both risk and reward, and you’ll need to make some informed decisions before you execute contracts. That’s where options margins calculators come in. These highly specialized tools can calculate the possible outcomes of several investing scenarios at once, creating a clearer picture for you of the ways your investment might play out. You stand to make large profits from lucrative deals financed partially through your margin account, but, at the same time, you’re required to maintain the minimum balance in each margin account. However, similarly to all investments, some options contracts will also result in a loss — profit isn’t guaranteed. Maintaining your required balance becomes more complicated as you purchase more stocks and initiate more options because different shares have different required margins. Before making any decisions, it’s essential to understand how purchasing an options contract will impact your margin account. The minimum required margin can change because of two distinct circumstances: entrance into new options contracts and changes to the price of stocks that you already own. It’s best practice to use the options calculator that the brokerage you trade with provides. This tool will have the correct fees the brokerage adds to the minimum margin, and it’ll allow you to process scenarios that include the stocks you can actually (or already) own. ETrade, Fidelity and TD Ameritrade are a few brokerages that have options margin calculators. If you don’t utilize these brokerages, keep in mind that the full versions of the tools are typically only available to customers. To understand how a proposed trade will impact your margin account, you need to know the stocks you’ll include in the trade, along with relevant details — such as the number of shares involved and the premium amount — of the potential options contracts you might enter. To understand how a potential price change will impact your margin account, you need to identify the predicted price change. In both circumstances, the results of the scenarios are displayed in two tables after you plug your details into the calculator. The first table displays the name, price, quantity and position value of the stock in one set of columns. Then, the margin requirements are displayed in another set of columns. One column shows whether the margin for that particular stock is a percentage or a flat dollar amount. Next, the table calculates the dollar amount needed to meet the margin requirement for the stock in the scenario. Finally, the table displays the change between the existing margin requirement and the hypothetical one.Most options margin calculators have another table that displays the most significant set of information. The second table displays the actual margin buying power, non-margin buying power and margin debt. Another column displays the changes to each number that would result from the hypothetical trading scenario. Margin buying power represents all the money in your brokerage account. Non-margin buying power is money outside of the margin account that you’ve also deposited to fund the purchase. Margin debt is the amount of money you’ve already borrowed against your margin account. Common margin calculators allow you to process up to five potential situations in one calculation. You’ll use the data to see if you have enough in your margin account to cover the required minimum for executing new options contracts. These calculators also show you whether there are enough funds in your margin account to finance a proposed trade. Finally, options margin calculators display the true dollar impact of entering into new contracts. These powerful tools help you reliably forecast expected changes in your margin account to help you keep yourself earning and investing wisely. Photo Courtesy: blackCAT/Getty Images Starting a new loan is a very big decision. Comparing interest rates and deciding if monthly payments are affordable can make your head spin, but there are valuable resources that can help. A personal loan calculator is a (usually) free tool that allows a customer to compare details of loans. You don't have to speak to a loan officer or to any specific company to use a loan calculator. Best of all, there’s no credit check involved, and you don't have to sign up for anyone's email list. In fact, these tools are perfect for comparing the basic facts of prospective loans to determine which one is a good fit. A personal loan calculator is an online tool that gives consumers better insight before they decide on the right loan option. These calculators perform specific equations to calculate the interest of a loan, determine monthly payments, and estimate how long it will take to pay off a loan. Although they’re similar to mortgage loan calculators, personal loan calculators focus on details more relevant to personal loans. Photo Courtesy: Ijubaphotos/Getty Images While some calculators are more sophisticated than others, all personal loan calculators help a person figure out what the monthly payment of a loan will be. Since these calculators bring interest into the equation, they are also helpful in understanding the complete cost of a loan, which is always higher than the principal amount. While different loan calculators have different features, most of them have the same basic calculations available. A user can enter the principal amount, interest rate, and term of the loan. (The principal amount is the amount of money being borrowed. The interest rate is the percentage at which interest will be paid on the loan, and the term is the length of time it will take to pay off the loan.) Photo Courtesy: urbazon/E+/Getty Images To ensure that the interest rate is accurate, it is important to make sure that the calculator accounts for the right type of interest. Some personal loans use simple interest, and others use compound interest. A simple interest rate means that you are charged interest only on the principal amount. Compound interest is more similar to the way interest accrues on a credit card — that is, any unpaid amount is added to the principal balance, and the next month's interest is calculated on that combined amount. While the information in a personal loan calculator is often relatively accurate, it’s important to realize that actual monthly payments may be a little higher than what the calculator comes up with. Some companies have other fees, such as loan origination fees, that will be factored into the price of the loan. Your loan officer or customer service representative can tell you if any fees will be applied to the loan you are interested in. Regardless of fees, a personal loan calculator is a great starting point for a consumer to take control of deciding which loan is right for you. Numbers don't lie. Some of the more complex calculators offer greater calculations and allow you to toggle the term and payment amount. These features are great for someone who is not quite sure what terms they want, or for someone looking to forecast a variety of options. Photo Courtesy: PixelsEffect/Getty Images Sometimes, borrowers make the mistake of believing that a loan only costs as much as the amount they borrow. In reality, interest is an additional cost that must be considered. Compared to other common loans, personal loans have high interest rates. Even if the loan term only has a few years, interest rates can leave you paying significantly more than the amount you have borrowed. With any loan, a portion of your monthly payment always goes towards interest, and a portion of it goes towards reducing the principal amount. According to Bankrate, two of the top three reasons for getting personal loans are to consolidate debt and to finance home improvements. Debt consolidation usually means paying off credit card debt. People often believe that getting a personal loan, with a 5% or 6% rate, is better than slowly paying off a huge credit card debt with an interest rate of 25% or 26%. Debt consolidation is also an attractive option because paying the minimum balance on multiple credit cards each month can become burdensome. A personal loan calculator allows a person to compare the costs of paying off the credit card with the cost of consolidating debt with a personal loan. Since credit cards have indefinite terms and personal loans have set terms, it's important to crunch the numbers to see which option is truly cheaper. Sometimes, the interest associated with a personal loan makes it far more expensive than paying off credit cards. On the other hand, a person who is considering a personal loan to pay for a home improvement project may be willing to pay a higher interest rate because of the value the renovations will add to their home. It may not be feasible to finance long-term home improvement projects on a credit card, but paying off a personal loan, even if the interest adds a few hundred (or thousand) dollars to the final price, may be a more workable option for some. Of course, everyone’s financial situation is different — and that’s why personal loan calculators are so important. Borrowers have less legal protection in the personal loan process than they do with other types of loans, like mortgages. People often get personal loans when they are in a tough spot financially, and there are, unfortunately, predatory lenders who take advantage of this fact. Each state has usury laws to protect consumers from predatory lenders, but lenders often legally originate loans in states that have the most lenient usury laws. In other words, they find a loophole to charge the highest interest rates possible. Photo Courtesy: 10,000 Hours/Getty Images A borrower who has a thorough understanding of the true cost of a personal loan can protect themselves from paying exorbitant interest over the life of the loan. Calculators give borrowers the tools they need to make the best decision for their circumstances. Some of the most highly recommended online personal loan calculators, include: BankRate NerdWallet Smart Asset Discover Remember: Taking out a personal loan, for whatever reason, is a big decision. Be sure to use a quality personal loan calculator to give you an edge when it comes to managing your finances.

current ratio calculation for banks. how to calculate current ratio formula. how to count current ratio

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