**Farm Business Management Junior**

**Problem Solving Formulas**

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| **Common Ratios and Financial Indicators** | **Formula** |
| Current Ratio | Current Assets ÷ Current Liabilities |
| Working Capital | Current Assets – Current Liabilities |
| Debt-to-Equity Ratio | Total Liabilities ÷ Net Worth |
| Debt-to-Asset Ratio | Total Liabilities ÷ Total Assets |
| Equity-to-Asset Ratio | Equity ÷ Total Assets |
| Rate of Return on Assets (ROA) | (Net Farm Income + Interest Expense – Unpaid Labor) ÷ (Average Value of Assets) |
| Rate of Return on Equity (ROE) | (Net Farm Income – Unpaid Labor) ÷ (Average Value of Equity) |
| Asset Turnover Ratio | Total Revenue÷(Average Value of Assets) |
| Return to Management | Net Farm Income-Unpaid Labor-Opportunity cost of farm equity |
| Net Farm Income from Operations Ratio | Net Farm Income ÷ Gross Revenue |
| Debt Structure Ratio | Current Liabilities ÷ Total Liabilities |
| Operating Profit Margin Ratio | (Net Farm Income + Interest – Opportunity Cost of Unpaid Labor – Opportunity Cost of Management) ÷ Total Revenue |