

# The Financial Cockpit: Three Levers and One Flight Plan

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**Case Background**

Jill Keyes, CFI Company

- Analyze ratios of other companies using DuPont
- Incorporate ROE strategies
- Time frame: 2009

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## Definition of Terms

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**Return on Sales/Net Profit Margin**

Net Income / Sales

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### **Asset Turnover**

Sales / Total Assets

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**Return on Assets (ROA)**

Net Income / Total Assets

Return on Sales x Asset Turnover

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**Financial Leverage**

Total Assets / Total Equity

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**Return on Equity**

Net Income / Total Equity

ROA x Financial Leverage

ROS x ATO x Financial Leverage

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# **Return on Sales/Net Profit Margin**

Net Income / Sales

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# Asset Turnover

$\text{Sales} / \text{Total Assets}$

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**Return on Assets**  
**(ROA)**

Net Income / Total Assets

Return on Sales x Asset Turnover

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# **Financial Leverage**

Total Assets / Total Equity



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# **Return on Equity**

Net Income / Total Equity

ROA x Financial Leverage

ROS x ATO x Financial Leverage