Appendix: Stock Market Ratios

1.   Ordinary Share Values

Nominal value (or Par value) $=$ $\dfrac{\text{Dividend yield x Market value}}{\text{Dividend \%}}$

Market Value $=$ $\dfrac{\text{Nominal value x Dividend \%}}{\text{Dividend yield}}$

2.   Dividend measures (before deduction of income tax)

Dividend per share $=$ $\dfrac{\text{Total dividend (gross)}}{\text{Number of shares}}$

Or   Nominal value x Dividend %

Dividend percentage $=$ $\dfrac{\text{Dividend yield x Market value}}{\text{Nominal value}}$

Or $\dfrac{\text{Dividend per share}}{\text{Nominal value of an ordinary share}}$

Or $\dfrac{\text{Total dividends (gross)}}{\text{Total nominal value of issued ordinary shares}}$

Dividend Yield $=$ $\dfrac{\text{Nominal value x Dividend \%}}{\text{Market value}}$

Or $\dfrac{\text{Dividend per share x 100}}{\text{Market value of an ordinary share}}$

Or $\dfrac{\text{Total dividend x 100}}{\substack{\text{Total market value of ordinary shares} \\ \text{(i.e. market capitalisation)}}}$

3.   Earning Measures (net of corporation tax)

Return on capital employed (ROCE)   = $\dfrac{\substack{\text{Profits after tax minus preference} \\ \text{dividend (gross) x 100}}}{\substack{\text{Balance sheet value of ordinary} \\ \text{shares plus reserves}}}$

Earnings per share (EPS)   = $\dfrac{\text{Profits after tax and preference dividend (gross)}}{\text{Number of shares}}$

Earnings Yield   = $\dfrac{\text{Earnings per share x 100}}{\text{Market value of an ordinary share}}$

$$\text{Or} \quad \frac{\text{Profits after tax and preference dividends (gross) x 100}}{\text{Market capitalisation}}$$

$$\text{Price/ Earnings ratio (P/E)} \quad = \quad \frac{1}{\text{Earnings yield}}$$

$$\text{Or} \quad \frac{\text{Market value of an ordinary share}}{\text{Earning per share}}$$

$$\text{Or} \quad \frac{\text{Market capitalisation}}{\text{Profits after tax and preference dividend (gross)}}$$

4.   The Relationship Between Dividends and Earnings

$$\text{Dividend cover} \quad = \quad \frac{\text{EPS}}{\text{Dividend per share}}$$

$$\text{Or} \quad \frac{\text{Profits after tax and preference dividends (gross)}}{\text{Total dividend}}$$

$$\text{Dividend payout ratio} \quad = \quad \frac{1}{\text{Dividend cover}} \times 100$$

$$\text{Or} \quad \frac{\text{Dividend per share}}{\text{EPS}} \times 100$$

$$\text{Or} \quad \frac{\text{Total dividends}}{\text{Profit after tax and preference Dividends (gross)}} \times 100$$