

SELECTION OF RATIOS WHICH COULD BE DEVELOPED FOR EVALUATION OF NGOs

Business Ratios

Non-profit organizations may have departments or programs which produce publications for sale at a profit. Such departments can be assessed using many of the financial ratios in use in business.

Fund management can be evaluated using:

- Debtors x 365 / Sales
- Inventory x 100 / Sales
- Creditors x 365 / Cost of Sales

Profitability related to sales can be evaluated using:

- Gross profit x 100 / Sales
- Net profit x 100 / Sales
- Cost of sales x 100 / Sales

Other business ratios can be used to evaluate the organization as a whole, e.g.

- Current assets / current liabilities.

Special Ratios

- ability of organization to attract membership support and degree of independency of membership support
 - membership dues income/total income
- ability of organization to produce goods or services of value to public
 - sales income/total income
- commitment of members to organization
 - dues/member
- ability of organization to convince its environment of the value of its activities
 - grant, donation, subsidy income/total income
- measure of the 'share' of a member in the organization (important as a means of comparing between organizations)
 - total income/number of members.

Comment

These ratios are useless as obsolete figures. They can only be useful when compared with the same ratios for the previous years to show a trend. When accounting statement data for different organizations can be made compatible, they can be used to compare the financial results of operations of organizations with similar activities.