FIELD KIT · INSTRUMENT 02 · ONE-PAGE MAP · FREE, NO EMAIL GATE

What Your Ratios Cannot See

> *The ratios measure the result from outside. The counts measure the behaviour from inside.*
> ANCA STEPHENS

Every ratio on a CFO page was designed between 1895 and 1935, from outside the company, by people deciding whether to lend to it. They measure results. None of them can see a decision, a correction, or the knowledge in one head. This page names the blind spot of each one, and the inside count that fills it.

1890s	1919	1925	1934	1968	1980	1990s	2026
Current ratio, bank credit	Wall, 7 ratios · DuPont tree	RMA industry benchmarks	SEC periodic statements	Altman Z	Cash conversion cycle	EVA	**RoCor: counts from inside**

01 Eight ratios, one lineage, one blind spot each

RATIO	BORN	BUILT BY, FROM WHICH CHAIR	WHAT IT MEASURES	THE BLIND SPOT: WHAT HAPPENS INSIDE THAT THE RATIO CAN NEVER SHOW	THE INSIDE COUNT
Current ratio LIQUIDITY	**1890s**	US bank lenders, at the counter, from outside the factory gate	Current assets over current liabilities. The 2-to-1 rule circulates from about 1900.	A credit limit overridden every week to release orders. The receivable counts as *current* either way; the decision that created it is nowhere.	Capture rate
DSO DAYS SALES OUTSTANDING	**1920s to 30s** origin undocumented	Credit managers, inside the company, reporting outward to lenders	Average days from invoice to cash.	An average. One site re-solving the same dispute every month hides inside a good group number. *DSO does not fall because you collect faster; it falls when disputes stop returning.*	Reuse rate
DPO DAYS PAYABLES OUTSTANDING	**mid 1900s** origin undocumented	Treasury and purchasing, inside	Average days the company takes to pay its suppliers.	Whether you pay late by policy or because a purchase-order number is missing in the master data and nobody owns the fix. Same DPO, opposite causes.	Capture rate
DIO DAYS INVENTORY OUTSTANDING	**mid 1900s** origin undocumented	Operations and finance, inside	Average days stock is held before it is sold.	The write-down that was deferred for six quarters because the one person who knew the product line left, and nobody dares decide.	Decay rate
Cash conversion cycle CCC	**1980**	Academics: Richards and Laughlin, Financial Management	DIO plus DSO minus DPO: days from cash out to cash in.	Which of the three legs moved and why. The cycle is arithmetic on three averages; the correction that stopped a recurrence is invisible in all three.	Reuse rate
ROI, DuPont tree RETURN DECOMPOSITION	**1919**	Owner-managers: Donaldson Brown at DuPont, inside a conglomerate	Return as margin times turnover times leverage.	The judgment behind the turnover: why one customer was priced at 90 days six years ago. The reason left; the terms stayed in the tree.	Decay rate
Altman Z DISTRESS SCORE	**1968**	Academic: Edward Altman, from published statements	Probability of distress within about two years.	The 30 percent order surge after the bank cut the line, visible in the blocked-order queue nine months before any statement moves the score.	*none yet*
EVA ECONOMIC VALUE ADDED	**early 1990s**	Consultants: Stern Stewart	Profit after a charge for the capital employed.	The capital tied up in corrections nobody recorded: the fix that lives in a vendor model, a consultant's deck, a departing head. Nobody charges the queue for capital.	Leak rate

How to use this page

1. **Hold it next to your KPI page.** For each ratio you report, read its blind-spot line and ask where that exact event sits in your own operation this quarter.
2. **Mark the blind spots that cost you money this quarter.** Two or three, no more. A reschedule that returns monthly. A limit overridden weekly. A write-down nobody decides.
3. **Run the four counts on those first.** Capture, Reuse, Leak, Decay: the Monday counts from Field Kit 01, RoCor in 30 Days. Count for one month before you change anything.

What this page does not claim

The ratios are not wrong. They were built for the question a lender asks from outside, and they answer it well. The blind spots are not defects; they are the boundary of the design. The inside counts do not replace a ratio. They are a different input, taken where the decision is made, before it ever reaches a statement.

Status. Return on Corrections is a management lens in development, not a standard. Dates from Horrigan (1968), Wall (1919), Richards and Laughlin (1980), Altman (1968), Stern Stewart. Two origins are undocumented and marked as such. Corrections welcome: anca@financemadesimple.me

v1.0 · 30 September 2026 · © 2026 Anca Stephens · Free to share, unchanged · CC BY-ND 4.0