

### III. RATIO ANALYSIS

Instruction: Calculate the following ratios given the data on pages 110 and 120.

#### LIQUIDITY RATIOS for 2002 (\$ 000)

Current Ratio       $\frac{\text{Current Assets}}{\text{Current Liabilities}} = 3.3$

Quick Ratio       $\frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}} = 2.1$

#### ACTIVITY RATIOS

Accounts Receivable Turnover       $\frac{\text{Net Receivable Sales}}{\text{Average Net Accounts Receivable}} = 6 \text{ times}$

Average Collection Period       $\frac{\text{Average Net Accounts Receivable}}{\frac{\text{Net Receivable Sales}}{365}} = 61 \text{ days}$

Inventory Turnover       $\frac{\text{Cost of Goods Sold}}{\text{Average Inventory}} = 4.9 \text{ times}$

Fixed Asset Turnover       $\frac{\text{Net Sales}}{\text{Average Fixed Assets}} = 2.3 \text{ times}$

#### PROFITABILITY RATIOS

Return on Sales       $\frac{\text{Operating Income}}{\text{Net Sales}} = 17.8\%$

Return on Assets       $\frac{\text{Operating Income}}{\text{Average Total Assets}} = 17.9\%$

Return on Equity/  
Common Stock       $\frac{\text{Operating Income} - \text{Preferred Dividends}}{\text{Average Common Stock Equity}} = 71.2\%$

#### LEVERAGE RATIOS

Debt/Equity Ratio       $\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}} = 47\%$

Debt/Asset Ratio       $\frac{\text{Total Liabilities}}{\text{Assets}} = 32\%$

Times Interest Earned       $\frac{\text{Operating Income} + \text{Net Interest} + \text{Income Tax Expense}}{\text{Net Interest}} = 12.7 \text{ times}$