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 \[ \frac{\text{Average Net Accounts Receivable}}{\text{Net Receivable Sales}} \times 365 = 61 \text{ days} \]

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 \[ \frac{\text{Operating Income} + \text{Interest Expense}}{\text{Net Interest}} = 12.7 \text{ times} \]