

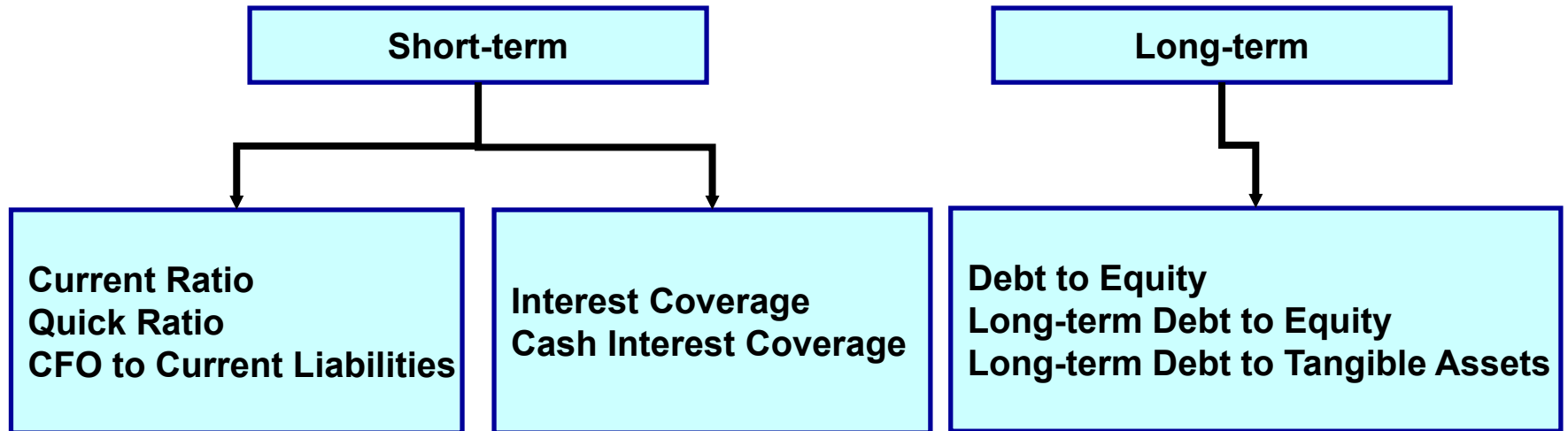
# RATIO ANALYSIS: LIQUIDITY RATIOS

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## Common Liquidity Ratios

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## Short-Term Liquidity Ratios

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- Does the company have enough cash coming in to cover obligations to pay out cash?
  - Ideally, ratios would be over 1
- **Current Ratio = Current Assets / Current Liabilities**
- **Quick Ratio = (Cash + Receivables) / Current Liabilities**
- **CFO to Current Liabilities = Cash from Operations / Avg. Current Liabilities**

## Interest Coverage Ratios

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- Does the company have enough cash coming in from operations to cover interest obligations?
  - Ideally, ratios would be over 1
- **Interest Coverage = (Operating Income before Depreciation) / Interest Expense**
- **Cash Interest Coverage = (Cash from Operations + Cash Interest Paid + Cash Taxes) / Cash Interest Paid**

## Long Term Debt Ratios

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- How does the company finance its growth?
  - Also provide measure of bankruptcy risk and borrowing capacity
- Debt to Equity = Total Liabilities / Total Stockholders' Equity
  - Total Assets is sometimes used in the denominator
- Long-Term-Debt to Equity = Total Long-Term Debt / Total Stockholders' Equity
- Long-Term Debt to Tangible Assets = Total Long-Term Debt / (Total Assets - Intangible Assets)

