

GA 3: Using Financial Activity Ratios in Financial Analysis

This exercise will require the creation of a database of 10Q financial statements of at least 20 companies in the same financial galaxy.

After assembling your database of financial statements from SEC EDGAR, pursue an analysis which incorporates **one** of the following Activity Ratios. The Numerator and Denominator are defined for each Activity Ratio.

Activity Ratio	Numerator	Denominator
Inventory Turnover	Cost of Sales or Cost of Goods Sold	Average Inventory
Days of Inventory on Hand (DOH)	Number of Days in period	Inventory Turnover
Receivables Turnover	Revenue	Average Receivables
Days of Sales Outstanding (DSO)	Number of Days in period	Receivables Turnover
Payables Turnover	Purchases	Average Trade Payables
Number of Days of Payables	Number of Days in Period	Payables Turnover
Working Capital Turnover	Revenue	Average Working Capital
Fixed Asset Turnover	Revenue	Average Net Fixed Assets
Total Asset Turnover	Revenue	Average Total Assets

Given the nature of your industry, there will be one ratio which suits your firms best. You may need to interpret one column of the financial statement in a way that meets the needs of the analysis, as working analysts must do. There will be other scenarios where you will need to research the accounting method of firms in your galaxy, as their operating efficiency may be expressed differently than firms in other sectors.

GA 3 will tackle the domain of operating efficiency and asset utilization ratios. A ratio should be a floating point number which can be expressed as a percent. You should rank your firms as the outcome of the analysis, and rank them in a table in descending order of the quotient of the ratio you use. Please explain the ratio your team chose, in your report.

