

GA 4: Liquidity Analysis In Your Industry Galaxy

For Graded Assignment #4 (GA4), your team will perform a Liquidity Analysis on your galaxy of industry stocks, using the same set of data used for GA 3.

Liquidity Ratios can be performed using these metrics:

1. Current Ratio: $\text{Current Assets} / \text{current liabilities}$
2. Quick Ratio: $\text{cash} + \text{short-term marketable investments} + \text{receivables} / \text{current liabilities}$
3. Cash Ratio: $\text{cash} + \text{short-term marketable investments} / \text{current liabilities}$
4. Defensive Interval Ratio: $\text{cash} + \text{short-term marketable investments} + \text{receivables} / \text{daily cash expenditures}$
5. Cash Conversion Cycle (net operating cycle): $\text{DOH} + \text{DSO} - \text{Number of Days of Payables}$
 - a. Where DSO = days of sales, outstanding
 - b. DHO = Days of Inventory on hand

Please perform this analysis across your companies, using one ratio per company. A different ratio may be done on different companies, if their accounting method demands it. You will need to research how common LRs are done on companies of your types, as well. Please create an additional column in your master spreadsheet, then present a table of data, ranked, with the top-most Liquid firms at the top of the list.

Also, please provide commentary on these issues, in a statement accompanying the table:

1. Which firms embody the best liquidity?
2. Are these the same firms you identified in GA 3, as most operationally efficient?
3. What range of values tend to characterize entities in the galaxy? What is the standard deviation from the average LR, found across these select companies?
4. What uses of information technologies tend to be used by the leaders? What trends tend to be found in the LR leaders?