Practice: Ratio Analysis

Required: Use ratio analysis to identify similarities and differences in the efficiency, liquidity, solvency, and profitability of the two companies.

	Wal Mart	**Costco**
Return on Assets	**16,270 / 247,798 = 6.6%**	**6,292 / 66,580 = 9.5%**
Profit Margin	**16,270 / 648,125 = 2.5%**	**6,292 / 242,290 = 2.6%**
Asset Turnover	**648,125 / 247,798 = 2.62**	**242,290 / 66,580 = 3.64**
Return on Equity	**16,270 / 87,052 = 18.7%**	**6,292 / 22,853 = 27.5%**
Equity Multiplier	**247,798 / 87,052 = 2.85**	**66,580 / 22,853 = 2.91**
Current Ratio	**76,877 / 92,415 = 0.83**	**35,879 / 33,583 = 1.07**
Debt to Equity Ratio	**162,050 / 90,349 = 1.79**	**43,936 / 25,058 = 1.75**
Average Collection Period	**365 * 8,365 / 648,125 = 4.7 days**	**365 * 2,263 / 242,290 = 3.4 days**
Average Days in Inventory	**365 * 55,734 / 490,142 = 41.5 days**	**365 * 17,279 / 212,586 = 29.7 days**
Average Days Payables	**365 * 55,277 / 490,142 = 41.2 days**	**365 * 17,666 / 212,586 = 30.3 days**
Days in Financing	**4.7 + 41.5 – 41.2 = 5 days**	**3.4 + 29.7 – 30.3 = 2.8 days**