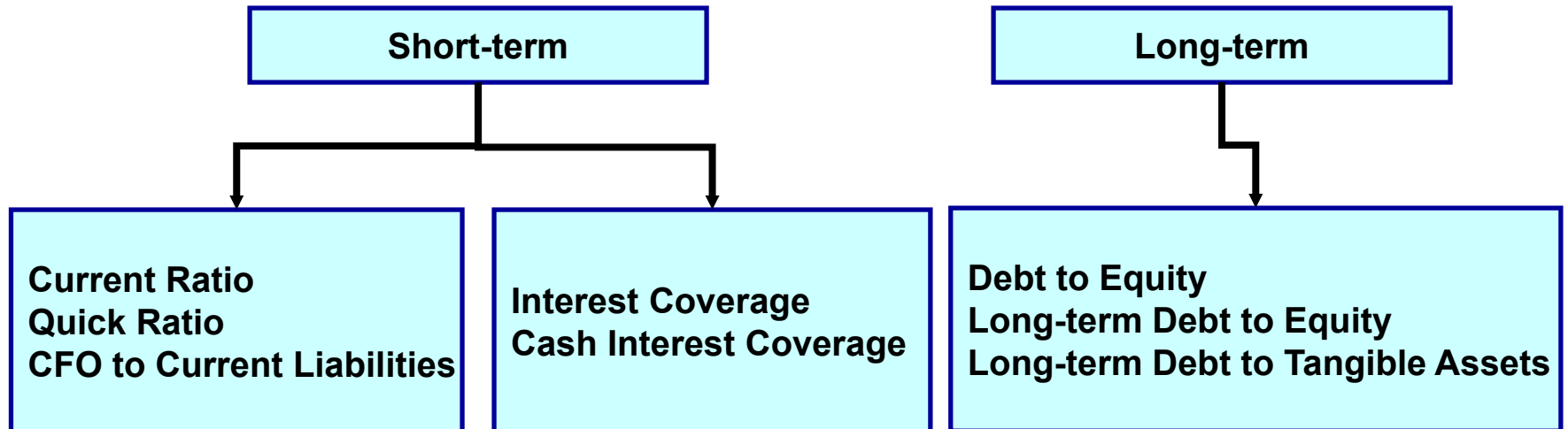


RATIO ANALYSIS: LIQUIDITY RATIOS

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Common Liquidity Ratios



Short-Term Liquidity Ratios

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

Interest Coverage Ratios

- 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

- 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)

