

Chapter 18 Outline

Analysis of Financial Statements
Horizontal Analysis
Vertical Analysis
Trend Analysis
Ratio Analysis
 Ratio Standards
 Purposes of Ratio Analysis
 Average versus Ending Value
 Classes of Ratios
Liquidity Ratios
 Current Ratio
 Acid-Test Ratio
 Operating Cash Flows to Current Liabilities Ratio
 Accounts Receivable Turnover
 Average Collection Period
Solvency Ratios
 Debt-Equity Ratio
 Long-Term Debt to Total Capitalization Ratio
 Number of Times Interest Earned Ratio
 Fixed Charge Coverage Ratio
 Operating Cash Flows to Total Liabilities Ratio
Activity Ratios
 Inventory Turnover
 Property and Equipment Turnover
 Asset Turnover
 Paid Occupancy Percentage and Seat Turnover
 Complimentary Occupancy
 Occupancy Percentage
 Average Occupancy per Room
 Multiple Occupancy
Profitability Ratios
 Profit Margin
 Operating Efficiency Ratio
 Return on Assets
 Return on Owners' Equity
 Earnings per Share
 Price Earnings Ratio
 Viewpoints Regarding Profitability Ratios
Operating Ratios
 Mix of Sales
 Average Daily Rate
 Revenue per Available Room
 Gross Operating Profit per Available Room
 Average Food Service Check
 Food Cost Percentage
 Beverage Cost Percentage
 Labor Cost Percentage
 Limitations of Ratio Analysis

Competencies

1. Describe types of numbers used in financial analysis, and distinguish between the types of financial analysis. (pp. 509–512)
2. Perform horizontal and vertical analyses of comparative balance sheets and comparative income statements. (pp. 512–515)
3. Demonstrate how to calculate trend percentages, and describe the advantages and limitations of trend analysis. (pp. 515–517)
4. Describe standards used in ratio analysis, the purposes of ratio analysis, and common classes of ratios and the general purpose of each class. (pp. 517–520)
5. Calculate common liquidity ratios and describe how creditors, owners, and managers view them. (pp. 520–524)
6. Calculate common solvency ratios and describe how creditors, owners, and managers view them. (pp. 525–528)
7. Calculate common activity ratios and describe how creditors, owners, and managers view them. (pp. 528–535)
8. Calculate common profitability ratios and describe how creditors, owners, and managers view them. (pp. 535–541)
9. Calculate common operating ratios and explain how managers use them to evaluate operational results. (pp. 541–547)