

## Chapter 10 Outline

Ratio Analysis of the Balance Sheet  
  Liquidity  
  Asset Management  
  Debt Management  
Ratio Analysis of the Hotel DORO's  
  Balance Sheet  
Current Ratio  
  Bank Standard  
  Composition  
Quick Ratio  
  Bank Standard  
Accounts Receivable Turnover Ratio  
Average Collection Period Ratio  
Inventory Turnover Ratio  
Fixed Asset Turnover Ratio  
Debt-to-Equity Ratio  
Assets-to-Liabilities Ratio  
Working Capital  
  Computation of Working Capital  
  Composition of Working Capital  
  The Importance of Adequate Working  
  Capital  
  Causes of Inadequate Working Capital  
  Causes of Excess Working Capital  
  Factors Affecting Working Capital  
  Requirements  
Reference List of Ratio Formulas

## Competencies

1. Describe the use of ratios in the analysis of a hospitality business balance sheet. (pp. 277–278)
2. Explain the purpose and use of the current ratio, and describe its formula and interpretation. (pp. 278–282)
3. Explain the purpose and use of the quick ratio, and describe its formula and interpretation. (p. 282)
4. Explain the purpose and use of the accounts receivable turnover ratio, and describe its formula and interpretation. (pp. 282–283)
5. Explain the purpose and use of the average collection period ratio, and describe its formula and interpretation. (pp. 283–284)
6. Identify the formulas for food and beverage inventory turnover. (p. 284)
7. Explain the purpose and use of the fixed asset turnover ratio, and describe its formula and interpretation. (p. 285)
8. Explain the purpose and use of the debt-to-equity ratio, and describe its formula and interpretation. (pp. 285–286)
9. Explain the purpose and use of the assets-to-liabilities ratio, and describe its formula and interpretation. (pp. 286–287)
10. Describe the computation, composition, and importance of working capital. (pp. 287–289)