

## Chapter 8 Outline

Ratio Analysis of the Income Statement  
  Prior-Period Ratios  
  Industry and Trade Association Ratios  
  Budgeted Ratios  
Popular Income Statement Ratios  
  Profitability Ratios  
  Activity Ratios  
  Operating Ratios  
  Occupancy Ratios  
  Stock Valuation Ratios  
Rooms Department Ratios  
  Profit Margin Ratio  
  Labor Cost Percentage  
  Average Room Rate  
  Occupancy Percentage  
  RevPAR  
Food and Beverage Department Ratios  
  Profit Margin Ratio  
  Labor Cost Percentage  
  Food Cost Percentage  
  Prime Cost Percentage  
  Beverage Cost Percentage  
  Average Food Check  
  Average Beverage Check  
  Average Total Check  
  Inventory Turnover Ratio  
  Days' Inventory on Hand Ratio  
Hotel Ratios  
  Profit Margin Ratio—Hotel  
  Profit Margin Ratio—Corporation  
  Labor Cost Percentage  
  Return on Equity Ratio  
  Earnings per Share Ratio  
  Price Earnings Ratio  
Other Income Statement Ratios  
  Number of Times Interest Earned Ratio  
  Return on Assets Ratio  
Reference List of Ratio Formulas

## Competencies

1. Explain the use of ratios in the analysis of a hospitality business income statement, and list the advantages and limitations of their use. (pp. 222–223)
2. Summarize the general categories of popular income statement ratios. (pp. 223–225, 241–242)
3. List the ratios typically used to analyze a hotel rooms department, and describe their formulas and interpretation. (pp. 225–229)
4. List the ratios typically used to analyze a food and beverage department, and describe their formulas and interpretation. (pp. 229–236)
5. List the ratios typically used to analyze a hotel, and describe their formulas and interpretation. (pp. 236–241)