

Chapter 5 Outline

Standards for Evaluating Ratios

Purposes of Ratio Analysis

What Ratios Express

Classes of Ratios

 Liquidity Ratios

 Solvency Ratios

 Activity Ratios

 Profitability Ratios

 Operating Ratios

Limitations of Ratio Analysis

Competencies

1. Explain what ratio analysis is, identify standards against which the results of ratio analysis can be compared, describe the function and purposes of ratio analysis, and identify what ratios express. (pp. 107–110)
2. Identify common classes of ratios, calculate common liquidity and solvency ratios, and describe how club board members, creditors, and managers view them. (pp. 110–121)
3. Calculate common activity, profitability, and operating ratios and describe how club board members, creditors, and managers view them. (pp. 121–131)
4. Explain the limitations of ratio analysis. (pp. 131–133)