

**Chapter Assignments:****Required:** See *Financial Statements and Ratio Analysis Assignment* (10 points)**Due: TueThur April 4<sup>th</sup>; Online April 6<sup>th</sup>****Chapter Sections:**

Sources of Financial Information

Financial Statements

Financial Statement Forecasting

Starbucks Corporation Case Study

**Chapter Terms:**

SEC EDGAR

10K – annual report

10Q – quarterly update

Regulation FD (Fair Disclosure)

financial statements

balance sheet – assets = liabilities + equity

income statement

statement of cash flows (a.k.a. cash flow statement)

financial ratios

common stock ratios: (a.k.a. market ratios)

price / earnings ratio (a.k.a. P/E): market price of common stock / earnings per share – most popular ratio (inc)

price / earnings to growth ratio (a.k.a. PEG ratio): stock's P/E ratio / 3 or 5 year growth rate in earnings (inc)

dividends per share: annual dividends paid to stockholders / number of shares outstanding (inc)

payout ratio: dividends per share / earnings per share (inc)

book value (a.k.a. book value per share): common stockholders' equity / number of shares outstanding (bal)

price-to-book-value per share: market price per share / book value per share

price-to-cash flow per share: market price per share / cash flow per share

price-to-sales per share: market price per share / sales per share

profitability ratios:

net profit margin: net profit after taxes / net sales (a.k.a. total revenues) (inc)

gross margin: gross profit / net sales (inc)

operating margin: operating income / net sales (inc)

return on assets: net profit after taxes / total assets (bal/inc)

return on equity (a.k.a. return on investment): net profit after taxes / stockholders' equity (bal/inc)

liquidity ratios:

-current ratio: current assets / current liabilities (should be 1.0 or better) (bal)

net working capital: current assets - current liabilities (bal)

acid test ratio (a.k.a. quick ratio): ( cash + accts rcv + short-term investments ) / current liabilities (bal)

activity ratios:

accounts receivable turnover: annual sales / accounts receivable (bal/inc)

inventory turnover: annual sales / inventory (bal/inc)

total asset turnover: annual sales / total assets (bal/inc)

leverage ratios:

debt-equity ratio: long-term debt / stockholders' equity (bal)

times interest earned: earnings before interest and taxes / interest expense (inc)

total debt to total assets: total debt / total assets (bal)