

Chapter Assignments:

Required: See *Financial Statements and Ratio Analysis Assignment* (10 points)

Due: Tue/Thu Apr 3rd; Online: Apr 5th

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)