

THINK CRITICALLY

Handwrite your responses in the space below; 2 sentences each.

1. What are the five categories of financial ratios?

2. What is a benchmark company and how is it used when analyzing financial ratios?

3. True or False? _____ The financial data used to calculate ratios comes from the company's financial statements.

4. _____ ratios measure a company's ability to meet its short-term financial obligations and its use of working capital.
 - a. liquidity
 - b. asset management
 - c. profitability
 - d. market performance

5. A company's debt ratio measures how much of a company's assets are owned by _____
 - a. stockholders
 - b. the federal government
 - c. creditors
 - d. all of the above

6. True or False? _____ Financial ratios should not be compared with those of competitors since each business is unique and has different financial goals.

7. Publicly held companies are required to publish their financial statements annually by _____
 - a. the Internal Revenue Service
 - b. the Securities and Exchange Commission
 - c. Hoover's
 - d. their industry association

TEAMWORK

Discuss in pairs or small groups and then write your conclusions below.

8. Have each team member select three financial ratios he or she believes would be the most important in determining whether to purchase a company's stock. As a team compare the choices and discuss the reasons for each person's choices.