**CU1M3 – Ratio Analysis**

1. Use the information on the sample financial statements for West Coast Craft Beer to calculate (show your work, including the formula you are using) the following:
2. Current ratio:
3. Quick ratio:
4. Inventory turnover ratio:
5. Gross profit margin:
6. Accounts receivable days:

*(For this problem, assume all sales listed on the financial statements are on account.)*

1. Go to <https://retailowner.com/benchmarks> . Scroll down to the Food & Beverage Stores section and select “Beer, Wine & Liquor Stores”, record the 2015 industry benchmark for:
2. Current ratio:
3. Inventory turnover ratio:
4. Gross profit margin:

*(Listed on the website as “gross profit”)*

1. How do the ratios of West Coast Craft Beer compare to the industry averages?
2. Find the 2015 industry averages indicated below.

**Baked Goods Stores: Drinking Places: Alcoholic Beverages**

Current ratio: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Inventory turnover ratio: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Gross Profit Margin:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**CU1M3 Ratio Analysis – Answer key 15 points possible**

1. Use the information on the sample financial statements for West Coast Craft Beer to calculate (show your work, including the formula you are using) the following:
2. Current ratio = assets/current liabilities 13276/5650 = 2.35
3. Quick ratio = (current assets-inventory)/current liabilities (13276-5800)/5650 = 1.32
4. Inventory turnover ratio = COGS/inventory 88352/5800 = 15.23
5. Gross profit margin = gross profit/net sales 132528/220880 = .6 (60%)
6. Accounts receivable days = acct receivable/daily sales; daily sales = (annual sales/365) 3600/(220880/365) = 5.95
7. Go to <https://retailowner.com/benchmarks> . Scroll down to the Food & Beverage Stores section and select “Beer, Wine & Liquor Stores”, record the 2015 industry benchmark for:
8. Current ratio: 2.1
9. Inventory turnover ratio: 5.9
10. Gross profit margin: 25.4
11. How do the ratios of West Coast Craft Beer compare to the industry averages?

Answers will vary.

1. Find the 2015 industry averages indicated below.

**Baked Goods Stores: Drinking Places:**

Current ratio: \_\_\_\_\_\_\_\_1.1\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_1.5\_\_\_\_\_\_\_\_\_

Inventory turnover ratio: \_\_\_\_\_\_\_\_55.3\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_22.7\_\_\_\_\_\_\_\_

Gross Profit Margin:\_\_\_\_\_\_\_\_50.8\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_61.6\_\_\_\_\_\_\_\_