SUMMARY OF KEY FINANCIAL STATEMENT RATIOS

(Indicates Page in Text Where Ratio Is Initially Discussed)

PROFITABILITY RATIOS

$$\text{Return on Assets (ROA)} = \frac{\text{Net Income} + (1 - \text{Tax Rate})(\text{Interest Expense}) + \text{Noncontrolling Interest in Earnings}}{\text{Average Total Assets}}$$
(Page 253)

$$\text{Profit Margin for ROA} = \frac{\text{Net Income} + \text{Interest Expense (net of taxes)} + \text{Noncontrolling Interest in Earnings}}{\text{Sales}}$$
(Page 260)

$$\text{Total Assets Turnover} = \frac{\text{Sales}}{\text{Average Total Assets}}$$
(Page 260)

$$\text{Return on Common Equity (ROCE)} = \frac{\text{Net Income} - \text{Noncontrolling Interest in Earnings} - \text{Preferred Stock Dividends}}{\text{Average Common Shareholders' Equity}}$$
(Page 261)

$$\text{Profit Margin for ROCE} = \frac{\text{Net Income} - \text{Noncontrolling Interest in Earnings} - \text{Preferred Stock Dividends}}{\text{Sales}}$$
(Page 267)

$$\text{Capital Structure Leverage} = \frac{\text{Average Total Assets}}{\text{Average Common Shareholders' Equity}}$$
(Page 267)

FINANCIAL FLEXIBILITY

$$\text{ROCE} = \text{Operating ROA} + (\text{Leverage} \times \text{Spread})$$
(Page 349)

$$\text{Operating ROA} = \frac{\text{Net Income} + (1 - \text{Tax Rate})(\text{Interest Expense}) + \text{Minority Interest in Earnings}}{\text{Average Net Operating Assets}}$$
(Page 349)

$$\text{Leverage} = \frac{\text{Average Financing Obligations}}{\text{Average Common Shareholders' Equity}}$$
(Page 352)

$$\text{Spread} = \text{Operating ROA} - \text{Net Borrowing Rate}$$
(Page 352)

$$\text{Net Borrowing Rate} = \frac{\text{Net Financing Expense (After Tax)}}{\text{Average Financing Obligations}}$$
(Page 352)

RISK RATIOS

Short-Term Liquidity Risk

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$
(Page 355)

$$\text{Quick Ratio} = \frac{\text{Cash and Cash Equivalents} + \text{Short-Term Investments} + \text{Accounts Receivable}}{\text{Current Liabilities}}$$
(Page 357)

$$\text{Operating Cash Flow to Current Liabilities Ratio} = \frac{\text{Cash Flow from Operations}}{\text{Average Current Liabilities}}$$
(Page 357)

$$\text{Accounts Receivable Turnover} = \frac{\text{Sales}}{\text{Average Accounts Receivable}}$$
(Page 358)

$$\text{Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventories}}$$
(Page 358)

$$\text{Accounts Payable Turnover} = \frac{\text{Purchases}}{\text{Average Accounts Payable}}$$
(Page 358)

Long-Term Solvency Risk

$$\text{Liabilities to Assets Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$
(Page 362)

$$\text{Liabilities to Shareholders' Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Shareholders' Equity}}$$
(Page 362)

$$\text{Long-Term Debt to Long-Term Capital Ratio} = \frac{\text{Long-Term Debt}}{\text{Long-Term Debt} + \text{Total Shareholders' Equity}}$$
(Page 362)

$$\text{Long-Term Debt to Shareholders' Equity Ratio} = \frac{\text{Long-Term Debt}}{\text{Total Shareholders' Equity}}$$
(Page 362)

Interest Coverage Ratio

$$= \frac{\text{Net Income} + \text{Interest Expense} + \text{Income Tax Expense} + \text{Net Income Attributable to Noncontrolling Interests}}{\text{Interest Expense}}$$
(Page 363)

$$\text{Operating Cash Flow to Total Liabilities Ratio} = \frac{\text{Cash Flow from Operations}}{\text{Average Total Liabilities}}$$
(Page 364)