Huffman trucking ratio analysis essay sample

Listed below you will find the findings from the current and quick ratios calculations. Huffman trucking's current ratio within the liquidity ratio during 2 years indicates an increase. The Quick ratio within the liquidity ratio also indicates an increase. Since prospective lenders want to see a positive current ratio, they would be a type of user that would be interested in this type of ratio. Since the quick ratio evaluates Huffman Trucking's creditworthiness, investors would be the type of user interested in this type of ratio.

The receivables turnover also is a part of measuring liquidity. It measures how quickly Huffman Trucking can convert certain of their assets to quick cash. It also tells how many times on average Huffman Trucking collects its receivables during a given period. This indicates Huffman Trucking's debt collection ability. The receivables turnover ratio gives an indication if Huffman Trucking is having difficulty collecting from their credit made sales. The formula for Huffman Trucking to use to find this ratio is the net receivable sales ÷ average accounts receivables. The inventory turnover measures the number of times on average that Huffman Trucking sells inventory during a given period. Inventory turnover tells how often profit can be made through inventory. The formula to compute this ratio is the cost of goods sold ÷ the average inventory. Huffman Trucking Liquidity Ratios

Current Ratio: Current assets/Current liabilities

= $111, 728/$88, 827

= 1. 258

Quick Ratio: Cash + accounts receivables/Current liabilities

= $51, 993 + $56, 292/$88, 827

= $108, 285/$88, 827

= 1. 219

Huffman Trucking Profitability Ratios

Sales Revenue $ 879, 944. 00

Divide: Average Total Assets 220, 003. 50

Assets Turnover399. 97%

Beginning Total Assets 212, 219. 00

Ending Total Assets 227, 788. 00

Grand Total 440, 007. 00

Divide: 2 to get the average2

Average Total Assets 220, 003. 50

Net Income 19, 211. 00

Divide: Net Sales 879, 944. 00

Profit Margin2. 18%

Net Income 19, 211. 00

Divide: Total Assets 227, 788. 00

Return on Total Assets8. 43%

Income before Interest Expense 31, 702. 00

Divide: Interest Expense 790. 00

Times interest earned ratio 40. 13

Huffman Trucking Solvency Ratios

In reviewing the Balance Sheet and Income Statement, I calculated the following ratios and came to the following results: Debt to total assets

= Total Debt / Total Assets (In Thousands)

= ($88, 827 + $71, 793) / $227, 788 = 70. 5% Times interest earned

= Income before Income Taxes and Interest Expense / Interest Expense (In Thousands)

= $31, 702 / $790

= 40. 1 Times

Reference Page

Weygandt, J. J., Kimmel, P. D., & Kieso, D. E. (2010). Financial accounting (7th ed.). Hoboken, NJ: John Wiley & Sons.