

# Whole foods market, inc

Business



**Debt to Equity:** Dependency on debt financing is not a bad habit but it has consequences if you rely on more. Whole Foods Market, Inc.'s debt to equity ratio is lower in comparison with the previous year. The factors of business volume, Inc. rement in sales, fulfillment to pay the suppliers, and acquisitions of fixed assets. Due to the expansion in business, Whole Foods Market, Inc. has plenty of financial obligations, most of which have been acquired through debt. In 2008, Whole Foods Market, Inc. reliance more on debt financing as compared to the previous years.

**Interest Coverage Ratio (TIE):** This ratio suggests the fact that the TIE ratio is higher in comparison with the industry because of company entertains its business with a high proportion of debt financing. Although the company's management runs the business successfully and this is shown in the EBIT which suggests that the Company keeps improving in the EBIT year by year. In comparison with the ability to pay interest, the expense is fine in comparison with the industry practices. On an overall basis the densely populated debt financing and creates a doubt in the debt holders mind that the company is in tentative mode to pay its obligations.

#### ACTIVITY RATIO

**Inventory Turnover:** Whole Foods Market, Inc. inventory management strategies make a strong reflection on this ratio and it is evident that companies operating cycle are slightly high in comparison with the industry practices, which is very good going for the company's perspective. This ratio shows that Whole Foods Market, Inc. is better at managing its inventory than the industry.

**Receivable Turnover:** Whole Foods Market, Inc. management is working on managing working capital effectively and employed an effective credit policy  
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for its customers. Whole Foods Market, Inc. management has worked on aggressive credit policies to collect its receivables and rotating its operating cycle effectively and smoothly. Industry trend on the other hand is very sluggish primarily due to recession in the economy.

#### PROFITABILITY RATIO

Return on Asset: The modest decrease in the ROA suggest that the firm uses its asset not at its command and management is not uses its assets and resources in an appropriate manner in order to generate more profits in comparison with their asset acquisition. This also gives the signal that proper asset management strategy is not adopted in order to generate the maximum output.

#### THE LIMITATIONS OF RATIO ANALYSIS FROM THE COMPANY'S PERSPECTIVE:

The limitations of ratio analysis are stated below:

The implementation of different accounting policies might distract the reported figures. Like frequently made changes in depreciation methods, in inventory valuation technique, etc (Besley, Brigham, Scott, Eugene F. 2001, p. 98).

If the reported figures on the financial statements are out of date then the ratio can't portrait the true picture of the company.

The ratio is also not debated on the risk associated with the figures.

If the employees or the management of the company manipulated with the figures or uses the big bath accounting technique then the ratios are also not clearly projected the company's performance. (Besley, Brigham, Scott, Eugene F. 2001, p. 98)

Ratios are also not clearly drawn to the valid projection of the company's

capital structure or the size of the company's business (Besley, Brigham, Scott, Eugene F. 2001, p. 98).