What are Ratios Good For?

Let’s say you’re researching IBM for a group project. You can easily find IBM’s assets, liabilities, and income from the annual report. But unless you have a way of comparing IBM to the computer industry as a whole, your instructor is going to be a little disappointed. You need ratios!

Finding Industry Ratios

There are three main sources of industry ratios at the Chester Fritz Library.

1) RMA Annual Statement Studies (Risk Management Associates). Call Number: HF 5681 .B2 R6 (latest 10 years on Reserve) The best known ratio tool, RMA gives you more ratios on more industries than any other source. RMA derives its data from annual statements. Know your company’s NAICS code before using this (get that code from Mergent). Ask for the latest 10 years at the Access Services Desk on the 2nd (Main) floor.

2) Almanac of Business and Industrial Financial Ratios. Call Number: HF 5681 .R25 A45 (latest 10 years on Reserve). Data is from the Internal Revenue Service. If you’re looking for a ratio source that’s easy to use, this is it. It’s at the other end of the spectrum from RMA: user friendly but sparse on the number of ratios and limited in diversity. Ask for the latest 10 years at the Access Services Desk.

3) NetAdvantage Industry Surveys. Use the Quick Links on the library homepage to access the NetAdvantage database. NetAdvantage industry reports cover industry trends, major players and market share data, key ratios and statistics, and other information. Each industry section has a Comparative Company Analysis Tables section, which reports key business ratios.

Finding Ratios for a Specific Company

Sources to consult for specific company ratios:

(1) SEC Filings- Publicly traded companies will have their 10K forms available at the SEC website (sec.gov). Search for ratios (or the numbers needed to create them) in the 10-Ks.

(2) Mergent Online (library database)- Ratios are listed on the Company Financials tab.

(3) Yahoo! Finance/Google Finance, etc- These resources allow you to look up company names or ticker symbols, and will give you detailed financial information about individual companies. They typically do not give the last ten years of data (generally, all data is current year only).