Using Financial Ratios

Ratios are a means of comparing one company to another, or comparing a company to an industry. Industry norms are similar to ratios in the way they are used, so from now on, we'll just refer to both as ratios.

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. They're all on reserve behind the Access Services Desk. The fourth source is available online.

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). The library has RMA from 1973 to date; ask for the latest 10 years at the Access Services Desk on the 2nd (Main) floor.

2) Almanac of Business and Industrial Financial Ratios. (Troy Almanac)
   Call Number: HF 5681 .R25 A45 (latest 10 years on Reserve)
   Troy gets data 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. The Library has the Almanac from 1979 to date; ask for the latest 10 years at the Access Services Desk on the Main (2nd) floor of the Library.

3) Standard & Poor's Industry Surveys.
   Now available online. Use the Quick Links on the library homepage to access it.
   S&P Surveys are comprehensive overviews of major U.S. industries. These 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 that you may wish 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* (use Quick Links on the library's homepage to access this)

The ratios are listed on the Company Financials tab. NOTE: only five concurrent users are allowed on this site. You may need to log in to use this resource off campus, but if you're asked to log in to Mergent itself (no UND logo visible), then there are five users on already and you'll have to try again later for access.

(3)  

*Value Line Investment Survey*

*Print: Ref. HG 4501 .V26/Reference Area Computer: ask at the Ref Desk for access*

Some company ratios are given in these one page summaries, and others may be computed from the financial data provided.

(4)  

*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).