

Table 3: (Cont.) Accounting Ratios : Definitions and Basic Statistics

Financial Ratios: Cross-Sectional measures of firms' financial conditions			
Name	Variable Definition	Mean	ES
A: Cash Position: higher ratio indicates higher cash resources			
b1/b5	Cash / Current Liabilities	2.32	+
b1/b12	Cash / Sales (net)	1.93	+
B: Liquidity: The ability to meet short term financial obligations			
(b1+b2)/b5	“Quick Ratio”:(cash+Receivable) / Curr. Liabilities	2.45	+
b4/b5	“Current Ratio”: Curr. assets / Curr. Liabilities	2.22	+
C: Capital structure: Share of nonequity capital in firms assets			
b9/b216	Debt (long term) / Stockholder's Equity	0.67	-
D: Debt service: Measure of firm's ability to meet debt service obligation			
b13/b15	Operating Income / Interest Expense	39.44	+
b1/b15	Cash / Interest Expense	61.64	+
E: Profitability: Ability to generate revenues in excess of expenses			
b172/b12	Net Income (loss) / Sales (net)	0.25	+
b172/b216	Net Income (loss) / Stockholder's Equity	0.10	+
F: Turnover: Measures the efficiency of asset utilization			
b2/b12	Receivables / Sales (net)	0.15	+
G: Return on equity: Measures the efficiency of asset utilization			
b172/b60	Net Income (loss) / Common Equity	0.10	+