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Balance Sheet Ratios: Medians for High and Low Profit Clubs Results

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BALANCE SHEET RATIOS: MEDIANS FOR HIGH AND LOW PROFIT CLUBS RESULTS

Raymond Schmidgall

and

Agnes De Franco

ABSTRACT

This research compares 20 financial ratios of the top financially performing clubs with those of the least profitable clubs for 2008. The financial separation of the clubs was based on ROA. One hundred and thirty clubs provided their balance sheet and selected income statement numbers to us and we computed the ratios to insure comparability. The most profitable clubs had greater liquidity, solvency, profitability and stronger operations as reveal by a number of the financial ratios. The results for selected ratios were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Most Profitable</th>
<th>Least Profitable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current ratio</td>
<td>1.75</td>
<td>1.33</td>
</tr>
<tr>
<td>Long-term debt to total capital</td>
<td>0.19</td>
<td>0.27</td>
</tr>
<tr>
<td>Times interest earned</td>
<td>42.1 times</td>
<td>-4.0 times</td>
</tr>
<tr>
<td>Profit margin</td>
<td>29%</td>
<td>-11%</td>
</tr>
<tr>
<td>Operating efficiency ratio</td>
<td>48%</td>
<td>7%</td>
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