

3.6 Evaluating Strategies to Improve Efficiency Ratios

Ratios		Why is this ratio useful?	Strategies	Pros	Cons
Efficiency	Stock Turnover		Hold lower stock levels		
			Introduce J.I.T.		
	Debtor Days		Offer discounts for early payments		
			Threaten with a lawsuit		
	Creditor Days		Develop trustworthy relationship		
			Find new suppliers		
	Gearing		Look for “free” sources of finance		
			Don't pay dividends		