**Problem 17**

The balance sheet for Stud Clothiers is shown below. Sales for the year were $2,400,000, with 90 percent of sales sold on credit.

| **STUD CLOTHIERS** | | | |
| --- | --- | --- | --- |
| **Balance Sheet 200X** | | | |
| **Assets** | **Liabilities and Equity** | | |
|  |
| Cash | $ 60,000 | Accounts payable | $ 220,000 |
| Accounts receivable | 240,000 | Accrued taxes | 30,000 |
| Inventory | 350,000 | Bonds payable (long-term) | 150,000 |
| Plant and equipment | 410,000 | Common stock | 80,000 |
|  |  | Paid-in capital | 200,000 |
|  |  | Retained earnings | 380,000 |
| Total assets | $1,060,000 | Total liabilities and equity | $1,060,000 |

Compute the following ratios:

1. Current ratio:
2. Quick ratio.
3. Debt-to-total-assets ratio.
4. Asset turnover.
5. Average collection period.

**Problem 18**

Company has the following ratios compared to its industry for 2005.

|  | **Acme Transportation** | **Industry** |
| --- | --- | --- |
| Return on assets | 9% | 6% |
| Return on equity | 12% | 24% |

Explain why the return-on-equity ratio is so much less favorable than the return-on-assets ratio compared to the industry. No numbers are necessary; a one-sentence answer is all that is required.